

Byron Z. Rom-Jensen

More than Money

A History of the
Nordic Investment Bank

Chapter 1



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The Long Road to the Nordic Investment Bank, 1950–1976

It was early morning on November 15, 1975 when delegates from the five Nordic countries converged on the Old Parliamentary Building in Stockholm. Vacated by the Swedish Parliament in 1905, on this day the building would host the Nordic Council and with it a collection of the most powerful politicians in Northern Europe, with at least ten former, current, and future prime ministers in attendance. As the clock struck nine, the delegates found their seats in the main hall to begin an unprecedented day.

These delegates, consisting of various Nordic parliamentarians and government ministers, had gathered for a unique event in Nordic Council history. After two decades of existence, the Nordic Council had never met outside of its regular schedule of annual meetings rotating through the major Nordic urban centres. Neither global developments nor regional plans had necessitated an extraordinary meeting of the Council. Yet this session had been called around a singular issue, one likely exceedingly familiar to many of the assembled delegates. The founding of the Nordic investment bank was on the agenda.

The Stockholm session in 1975 was not the beginning of the Nordic Investment Bank's creation but rather the end of an exceedingly long road that had wound through optimistic visions, failed plans, and a region in transformation. The first discussions around a joint Nordic bank took place in the 1950s between countries traumatised by war and

strained by the opening acts of a bipolar global conflict. However, the Bank's spiritual roots stretched back even further, connecting with elusive dreams of a Nordic region unified by common goals and shared culture. While the Nordic Investment Bank as it was eventually constructed was hardly the fulfilment of such idyllic visions, they nevertheless were central to its formation and purpose.

The Investment Bank Emerges

Alliances from the Ashes

First cresting amidst a wave of nationalism in the 19th century, aspirations to unify the Scandinavian countries had proved an enticing but elusive ambition for the cultural and political elite that pursued it. Students, lawyers, and other well-educated professionals met regularly for celebrations of their common ancestry and shared values, while political elites, notably the Scandinavian kings, pledged military support in the face of continental enemies. While dreams of a single, pan-Scandinavian state went unfulfilled, these interactions produced tangible and lingering ties, reinforced by countless cross-border interactions and notable governmental initiatives, such as a monetary union in 1873. Extensive contacts continued through the interwar period between 1918 and 1939, when excitement around prospects of a unified Nordic region led to various initiatives for integration, only to be torn asunder as the world again descended into war and chaos.¹

Dreams of a united Nordic region re-emerged following the Second World War and its devastation to resources, goods, manpower, and capital reserves throughout the continent. The material and economic toll of a half-decade of war had proven uneven. Norway and Finland suffered

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Declarations of Scandinavian unity in the 19th century proved enticing, but elusive. Image: Skandinavianisme, painting by unknown Danish artist between 1844 and 1850.

extensive damage to their infrastructure and industry: Norway saw a 14 percent decline in pre-war capital due to prolonged German occupation, while Finland's economy emerged exhausted from a brutal conflict with the Soviet Union.² In contrast, Denmark's occupation was less severe, preserving much of its productive capacity, and Sweden remained largely unscathed due to its neutrality during the war. Iceland also faced modernisation challenges but did not experience significant physical destruction.

Postwar rebuilding took many forms, some lasting and others, like an abandoned Scandinavian Defence Union that would have maintained traditional neutrality by joining Sweden, Denmark, and Norway in a defensive pact, rapidly discarded and replaced by other arrangements. The most significant of these arrangements for the Nordic economies

was hammered out at an international monetary conference in Bretton Woods, New Hampshire in 1944, where leaders from the Allied countries and other associated states gathered to erect the scaffolding for a post-war financial order.

The Bretton Woods agreement intended to rectify the problems of competitive monetary policy that had turned an economic crisis in the early 1930s into a worldwide depression and eventually armed conflict in Europe and beyond. The new agreement, eventually signed by the nascent Western Bloc, would transform former enemies into inter-dependent allies by demolishing economic barriers and stabilising currencies by tying them to a US dollar convertible to gold. Two institutions stood at its epicentre. The International Monetary Fund (IMF) would stabilize exchange rates and mitigate imbalances in the international financial system, including placing restrictions on monetary flows to prevent wealthier nations from economically dominating poorer states. Meanwhile, the International Bank for Reconstruction and Development, later known as the World Bank, would promote international trade by providing loans to rebuild infrastructure in war-ravaged Europe.³ Despite criticism, including amongst sceptical Nordic observers, of the arrangement as a strategy for American economic “imperialism”,⁴ the Nordic states quickly rallied to the Bretton Woods institutions, forming a Nordic bloc in the IMF’s governing board upon Swedish accession in 1951.⁵

In practice, efforts to demolish economic barriers to trade and international finance did not prevent the imposition of tight postwar capital controls that limited the flow of money across borders. Rather, currency and investment restrictions coexisted with efforts towards economic liberalisation. European states, generally working through their central banks, sought to control domestic financial markets and channel investments towards industrial production and reconstruction. Even though the currency policies of the Nordic countries all differed

slightly, the tight controls on incoming and outgoing monetary flows remained stable into the 1960s. While currency restrictions limited the ability of Nordic banks to operate in other Nordic countries, much less on a global stage, these limitations appeared an acceptable sacrifice to economic stability and peaceful politics.⁶

The central role of the US dollar in the Bretton Woods system was but one indication of the US’s new status as a global superpower. The launch of the Economic Recovery Act, better known as the Marshall Plan, in 1948 underscored the US’s role as a dominant economic and political partner for a rebuilding Europe. US Secretary of State George C. Marshall, for whom the plan was nicknamed, announced the programme with a promise and a warning: “Any government that is willing to assist in the task of recovery will find full co-operation I am sure, on the part of the United States Government. Any government which manoeuvres to block the recovery of other countries cannot expect help from us.”⁷

The Scandinavian governments gazed hungrily at the capital funds made available by the United States. Finland, while no less interested in funds to rebuild its shattered economy, was unable to participate due to their connections to the Soviet Union, especially after the Soviet Union offered Finland a treaty of mutual friendship in 1948, a “proposal” that Finland had little choice but to accept. Alarm over the Agreement of Friendship, Cooperation, and Mutual Assistance, in which Finland acquiesced to Soviet demands that the country remain outside “antagonist great power interests”, in reality making the country deferential to the caprices of Soviet leadership, helped override any lingering concerns in Scandinavia about Marshall Aid’s potentially negative effects on their neutrality and bridge-building policies, especially in Norway, where rumours swirled that the government had received a similar offer from the Soviets.⁸ As part of the conditionality of Marshall Aid, and in hopes of countering communist influence from the East, the Americans

encouraged regional cooperation as a prelude to western European cooperation.⁹ With their own anxieties about the communist threat, both in the form of military intervention and domestic agitation, plans for economic integration akin to the Benelux model found many eager converts in the Nordic region.¹⁰

At the beginning of the 1950s, the Nordic countries confronted the challenge of navigating this atmosphere of bubbling hostility while asserting their identity and securing their economic futures.

The Search for a “Rich Uncle”

Plans to increase economic cooperation received mixed reactions amongst the Nordic countries, in large part due to differing understandings of its purposes. While in Sweden, and initially Norway, ideas of a Nordic common market emerged as an alternative to geopolitical alignment with the West, the Danish Social Democratic government viewed Nordic cooperation as a largely unproblematic precursor to European integration, costing little and allowing Denmark access to resources and markets to develop its lagging manufacturing industry.¹¹ However, the Danish trade unions, generally erstwhile allies of the Social Democrats, feared the effects of European integration on the Danish welfare state and full employment policies and instead favoured “a Nordic alternative”. Such debate lent itself easily to passionate appeals, such as the President of the Danish Unskilled Labourers Union declaring in 1962 that “he would prefer to stagnate economically as a free citizen in a free country” rather than join the European Economic Community (EEC) that had been founded in 1957 by the Treaty of Rome.¹² Finland, by virtue of its proximity and relationship with Soviet Union, could likewise not countenance European options and remained wary of measures that would inadvertently tie Finland to pro-Western arrangements.

While European integration proved a divisive topic, Nordic cooperation remained popular, a paradoxical compensation for the failures of the Scandinavian Defence Union. This renewed enthusiasm speedily resolved itself into various Nordic initiatives, including the establishment of a passport union, a common labour market, the inter-parliamentary Nordic Council, and a proposal at a meeting of Nordic foreign ministers in June 1947 to explore greater economic cooperation – including coordinating financial investments.¹³

The Nordic Committee for Economic Cooperation (CNC) was subsequently formed in early 1948 to investigate and propose common tariffs and other measures to benefit the region. Collectively, these proposals became known as the Nordic customs union. “Scandinavian customs union” may have been more accurate, as Finland stood outside the negotiations while Iceland, heavily dependent on its fishing industry, sent representation but mostly abstained from negotiations. By eliminating barriers to trade and organising import quotas, the CNC intended to increase prosperity, streamline the flow of goods and labour, and expand capital in a region where economic recovery was proceeding more slowly than elsewhere in Europe.¹⁴

The CNC produced a preliminary report in 1950 backing the liberalisation of inter-Nordic trade while shying away from specific proposals, a sign of diverging agendas within the committee.¹⁵ The preliminary report was then circulated for review and comment. Norway’s foreign minister proved especially sceptical about the benefits of a Nordic customs union, fearing that liberalised trade would wreak havoc on Norway’s underdeveloped manufacturing industry and even decrease the country’s preparedness for war.¹⁶ In line with Nordic neo-corporatist traditions,¹⁷ economic interest groups were also asked to comment, including the Scandinavian labour federations (LOS), who appointed three economists to review the CNC’s report. The economists’ subsequent

response, although not formally approved by the labour federations, became a major talking point upon release in 1952. In their report, the LO economists noted the need for significant investment to modernise Scandinavian, particularly Norwegian, industries by purchasing new technologies and rationalising production. The economists argued that nothing less than the futures of Scandinavian social welfare and self-defence were riding on such improvements.

With these high stakes in mind, the LO economists broached the idea of a Nordic investment bank for the first time. A Nordic bank could assist in making the Nordic economies, particularly their agricultural and manufacturing industries, more modern, complementary, and internationally competitive. In particular, the LO economists noted the desirability of Sweden actively injecting capital to boost production and develop markets in Norway and, to a lesser degree, Denmark. A Nordic investment bank would ensure efficient investments and productive cooperation.

What this bank would look like, however, was ill-defined and rested on “state and private interests injecting capital to finance Nordic investment projects on reasonable terms”. A draft proposal included in the economists’ report broadly outlined an institution that would not only include the Scandinavian governments as its members, but also their central banks, private banks, economic organisations, and even certain individuals. Sweden (39%) and Denmark (37%) would own most of the authorised capital for the bank, and loans would be provided only to companies that could compete in a common Nordic market.¹⁸

Even though the CNC included the LO economists’ proposal for the Nordic investment bank in its 1954 report, not all were convinced that it would have its desired effect. The dissent came into full display at the second-ever session of the Nordic Council in 1954. The Nordic Council had been initiated as a consolatory body of Nordic parliamentarians, albeit with non-voting representation from the Nordic governments as

well.¹⁹ Although the Nordic Council was a pathway for establishing common initiatives, the body itself had few formal powers and was largely confined to issuing recommendations and discussing proposals. In 1954, discussion centred on the CNC report, during which Norwegian representative Christian L. Holm explained his concerns that an investment bank would pump capital into manufacturing, while “agriculture, forestry, communications, health care, and a number of other industries were forced to ‘stand in line and wait.’”²⁰ While Holm’s concern about the over-saturation of capital into manufacturing was likely coloured by his background in the lumber industry, he was hardly alone in his scepticism. The non-socialist Nordic political parties showed a largely solid front against the Nordic customs union. Realising this, the Norwegian Social Democrats, while positively disposed to Nordic solutions, dismissed supranational integration in favour of looser arrangements.²¹

Norwegian concerns, combined with the unstable geopolitical situation as the European Six – Germany, Italy, France and the Benelux countries – moved towards further integration, led to the shelving of the 1954 report. Instead, guidelines were given to launch a new investigatory committee.²² That the committee would renew the idea of an investment bank was uncertain, and industry representatives argued instead for the establishment of individual Nordic funds for modernising their businesses. Such an arrangement would be a “waste of resources”, concluded Erik Brofoss, the Social Democratic head of the Bank of Norway, who believed a Nordic or Scandinavian investment bank more capable of rationally distributing funds and improving the Nordic region’s international competitiveness. To ease potential friction about which countries and sectors would receive funds, Brofoss recommended placing all authority for lending in the bank’s board of governors, which he suggested could be modelled on a recent example of successful Nordic commercial cooperation: the Scandinavian Airlines System

(sas). In Brofoss' model, Sweden, a capital exporter thanks to its strong economy, would hold two seats and have a weightier vote, while the other countries held one. Still, a joint investment bank was a risky venture, politically if not financially. Brofoss predicted potential conflicts based on whether board members would be nominated by the governments or whether private industry would also have input.²³

In July 1957, the Nordic Economic Cooperation Council (NECC) returned its recommendations. The NECC asserted the desirability of developing a Nordic common market that would include the Scandinavian countries and Finland, which joined negotiations in 1956 after Josef Stalin's death.²⁴ To finance expanded production in such an arrangement and mitigate potentially harmful effects, additional capital was desperately needed. The committee considered but ultimately rejected European-style measures to stimulate capital movement *inside* the Nordic region, finding it unsuitable for the current state of Nordic economies. Instead, they urged that supply of capital be increased from the *outside*.²⁵ Tage Erlander, Prime Minister of Sweden, echoed such sentiments in a speech at the following Nordic Council meeting in 1958, rejecting the idea of inter-Nordic capital circulation, which would likely have resulted in a large outflow of funds from Sweden to its neighbours. Nor, Erlander warned, was any "rich uncle" coming to save the Nordics from outside. The Nordic governments had to develop their *own* institutions to attract foreign funds.²⁶

With the necessity of foreign capital in mind, the NECC drafted statutes and structures for a Nordic investment bank. The draft was explicitly based on a recent proposal for a European investment bank and to a lesser extent on the existing World Bank and IMF. The NECC recommended that capital raised by the bank could be directed towards investments in and commercial credits for cooperation projects and projects of a "common Nordic interest",²⁷ a term that had not appeared

in the 1952 report by the 10 economists and was likely influenced by concurrent developments to design a bank in the "interest" of the European Economic Community (see Chapter 2).²⁸ This included projects to strengthen the proposed common market or even counter its perceived damage, such as a loss of competitiveness or productive employment in certain areas. The committee also envisioned the potential of joint-Nordic projects, although the nature of these projects remained largely theoretical in 1957. Projects would be decided by a sixteen-member board consisting of four members each from Sweden, Denmark, Finland, and Norway, with each country having equal votes. This proposed Nordic investment bank would open its doors in 1959, in time to cooperate with the forthcoming Nordic customs union.²⁹

While the Nordic investment bank was moving from vague idea to concrete proposal, its placement within a Nordic customs union programme ensured that its fate was tied to broader debates around economic cooperation. According to political scientist Stanley Andersen, uncertainty about Europe and lingering "economic nationalism" prevented the "material bonuses" that an investment bank would have brought, especially in applying Swedish wealth to the capital-starved parts of the Nordic region.³⁰ Thus, when the Nordic prime ministers decided to reject the Nordic customs union proposal in July 1959, the bank proposal was also placed on the shelf. Its replacement, the European Free Trade Association (EFTA), contained no parallel provisions for a financial institution to strengthen economic competitiveness amongst its members.

New Initiatives, Same Results

The Independent Proposals

Despite the collapse of the Nordic customs union, the dream of greater economic cooperation was not easily forgotten, even as the region discovered new prosperity and international regard. In the following years, various elements of the collapsed proposal would be picked up and polished off, including the investment bank. In May 1960, at a meeting of the Minister Committee for Nordic Economic Cooperation, a proposal passed to explore the creation of an independent Nordic investment bank, untethered from other plans for Nordic integration. A subcommittee on finance was assigned to investigate the matter, although the Swedish government ensured that any recommendations were non-binding. Responses within the subcommittee proved mixed. Amongst the Icelandic and Finnish members, the proposal to create an investment bank met with enthusiasm that such an institution would be able to enhance their countries' access to external capital by providing creditable guarantees. Finland's historical geographic and economic peripherality had limited access to global capital markets, forcing the Finnish government to settle for higher interest and shorter loans than its Scandinavian counterparts. Iceland faced similar problems, as well as tight regulations around foreign loans to protect its balance of payments.³¹

The Scandinavian delegates were more sceptical that this revenant of the failed customs union package would actually attract foreign capital. Moreover, the Danish and Norwegian decision to join the United Kingdom in applying for European Economic Community membership (in 1961 and 1962 respectively) encouraged a wait-and-see attitude amongst their delegates,³² since a Nordic bank might create unfortunate overlaps with the newly established European Investment Bank (EIB).

Some members of the committee floated the idea of instead erecting a larger Nordic financial institution that would develop a common Nordic industrial area through investments and export credits, but also supply aid to underdeveloped countries, a broad mandate covering an even larger area than the European Investment Bank. The various concerns made unanimity amongst the subcommittee impossible. Their final report cautiously recommended greater cooperation between Nordic financial sectors but avoided calling for the creation of a new institution.³³

The first efforts to independently establish a Nordic investment bank flared and dissipated with little to show for the initiative. Yet supporters did not have to wait long for another opportunity to present itself. When French President Charles de Gaulle, fearful of the effects of an enlarged free trade area and the potential of the United Kingdom to act as a Trojan horse for American machinations, vetoed the UK's application in 1963, both Denmark and Norway, reliant on British markets, were forced to rescind their own applications. The unexpected failure again sparked consideration of joint-Nordic financial cooperation.

At a Nordic Council session a few weeks after the de Gaulle veto, Erik Eriksen, former Danish Prime Minister of the Liberal party, reminded the assembled delegates of the merits of a Nordic investment bank that could import much needed capital into the region. Shortly after, Aksel Larsen, founder of the left-wing Danish Social People's Party, voiced support for reconsidering a Nordic customs union programme in the context of EFTA but urged the Nordic Council to proceed slowly on such matters of economic coordination.³⁴ The following year, the bank's proponents made their push.

Knud Børge Andersen, a Danish Social Democrat with a preference for pan-Nordic solutions,³⁵ represented a coalition of Economic Committee members, primarily Scandinavian social democrats, when he proposed renewing the investigation of a Nordic financial institution.

While acknowledging that the investment bank idea was not fresh, Andersen insisted that the back catalogue of failed proposals were an advantage, since it meant that the proposal was more concrete and had pre-existing political support. On these premises, Andersen called for an investigation that would quickly confirm the desirability of a Nordic investment bank or shelve it once and for all.

Andersen's proposal passed easily, although not everyone who voted for an investigation was certain that the idea was sound. Poul Møller, in the middle of transforming the Danish Conservative Party into Denmark's largest non-socialist party, used his opening speech at the Nordic Council's presidium to dampen the swirling talk of an investment bank. Møller reminded his fellow delegates that they were supposed to be working for the Nordic people, not creating common Nordic institutions "if there was no need for them". First, Møller expressed doubt that a bank would be able to raise capital that was not already accessible to existing institutions. Far worse, it might pave the way to the Nordic Council's "overlordship" of the Nordic nations and their people. Møller instead proposed liberalisation of capital movement in the Nordic region, a plan that he saw as more practical and less dangerous.³⁶

The Nordic subcommittee on financial issues worked quickly, producing a report in October 1964. The report reviewed the status of Nordic and global markets in order to evaluate the economic justification for a Nordic investment bank. The committee expounded on the success of the new European Investment Bank as an illustration of a Nordic institution's potential, noting that the EIB's success in lending to underdeveloped regions in Southern Italy, Sicily, and Sardinia had quieted its doubters. The committee believed that Finland and Iceland, which still struggled to secure lower interest rates on global financial markets, would directly benefit from a bank backed by the guarantees of the five Nordic Council members. Sweden could thereby put its lofty inter-

national reputation to good use for the benefit of its neighbours. Denmark and Norway, meanwhile, would be largely unaffected in their foreign lending, and might even find their loans becoming more expensive. The committee moreover admitted the difficulty of providing examples of projects that satisfied the vision of trans-Nordic interest, but was certain that such projects would arise given the governments' efforts to maintain full employment. Yet the unbalanced outcomes, benefitting the Nordic "periphery" more than its core, meant that that committee could not recommend the bank on an economic basis. Instead, the report left the decision on a Nordic investment bank to the politicians. The issue was *cooperation*, not commerce.³⁷

The proposition returned to the Nordic Council, but it was clear the push towards an investment bank had exhausted itself. Despite a coalition of Finnish, Icelandic, and Swedish Nordic Council members backing a Nordic financial institution to assist "the countries with weaker capital", the result was disappointing: another proposal to investigate an investment bank, which would have been the fourth such investigation in under a decade.³⁸ Such a proposal was dead in the water, and the Nordic investment bank seemed to be as well. Knud Børge Andersen's proclaimed political will for a Nordic investment bank had proven illusory. Three alternatives proposed by the financial committee for supporting the capital-deficient Nordic countries the following year – including joint state guarantees, collaboration with private financial institutions, and favourable currency swaps between Nordic central banks – demonstrated that establishing a new financial institution was perceived as unviable.³⁹

Yet again, the investment bank had failed to gain traction as an independent solution for the Nordic countries. What ultimately doomed the various efforts to establish a Nordic investment bank throughout the 1950s and early 1960s was the unanswered question of how the

Nordic region would fit into an increasingly integrated European core. Economically, could the opportunities provided by Nordic cooperation make up for the lack of participation in a European common market, especially if the United Kingdom remained outside? Politically, what did the European Community mean for the geopolitical chessboard of the global Cold War? These questions remained open when a surprising proposal rocked the 16th meeting of the Nordic Council.

Up in Flames – The NORDEK Plan

Danish Prime Minister Hilmar Baunsgaard gazed over the collected Nordic Council delegates in Oslo. It was February 17, 1968, and Baunsgaard had only been in office for a little over two weeks. One may have expected some hesitancy, or at least a greater reticence, from Den-



JOHAN BRUN, NTB SCANPIX / LEHTIKUVA

Although hardly an original idea, Danish Prime Minister Hilmar Baunsgaard's call for strengthening Nordic economic integration sparked rounds of negotiation. On October 19, 1968, the Nordic prime ministers met in Oslo while awaiting the results of preliminary investigations on NORDEK. From left: Bjarni Benediktsson (Iceland), Tage Erlander (Sweden), Per Borten (Norway), Hilmar Baunsgaard (Denmark) and Mauno Koivisto (Finland).

mark's first non-Social Democratic prime minister in nearly fifteen years. However, Baunsgaard's address to the Nordic Council was clear and bold: the Danish Prime Minister called unequivocally for a major expansion of Nordic cooperation in the economic sector, including "cooperation to solve financing problems in connection with industry's production and market conditions".⁴⁰

The Baunsgaard speech took the other Nordic attendees by surprise, in part because it pre-empted similar ambitions elsewhere.⁴¹ While sudden and audacious, there was little novelty in the idea of expanding Nordic economic cooperation. Plans to integrate Nordic economic activity had been circulating since the end of the Second World War. Moreover, the Danish Foreign Ministry had been working on a Nordic economic union plan for the past nine months, and Nordic cooperation had featured, albeit somewhat cynically, in the campaign of former Prime Minister Jens Otto Krag.⁴² Yet, the Nordic economic union found a willing midwife in the pro-Nordic Baunsgaard, who believed that the positive effects of EFTA on trade necessitated further growth of the Nordic market.⁴³

Pro-Nordic statesmen quickly coalesced around Baunsgaard's call for a Nordic economic union amidst growing concern that the potential European avenues for the small, export-oriented Nordic economies were closing one by one.⁴⁴ Two Danish and Norwegian applications to membership in the European Economic Community had collapsed after de Gaulle's vetoes of UK membership in 1963 and 1967. Meanwhile, EFTA appeared to have stagnated with the reluctance of the United Kingdom to broaden the agreement's provisions.⁴⁵ The stalemates pushed the Nordic countries towards each other, while greater industrialisation made it easier to imagine integration throughout the region. While previous years had witnessed Sweden leading the charge, Baunsgaard's speech, made with little to no consultation of the other prime ministers,

appropriated the issue as a “Danish” proposal, raising the hackles of some Swedish and Norwegian delegates who felt themselves poorly used.⁴⁶

Baunsgaard’s proposal again set in motion the tectonic plates of Nordic cooperation. A subsequent working group found that the existing Nordic economic union within EFTA functioned rather imperfectly, lacking agreements in areas like capital movement. Ten mandates for a concrete proposal were developed for the programme subsequently known as the Nordic Economic Union or NORDEK, amongst them the liberalisation of capital movements between the countries and the establishment of a Nordic finance fund. These ideas were developed further in the preliminary report of the newly reformulated “Nordic Government Official’s Committee”. The report, delivered on January 3, 1969, justified the establishment of new economic institutions as a means of strengthening Nordic manufacturing’s competitiveness. To accomplish this, the committee recommended reviving proposals for a Nordic investment bank, along with creating two industry-specific funds for agriculture and fishing and one general fund to encourage modernisation.⁴⁷

The plans reanimated the investment bank after its uneasy death in 1964/65, indicating its embeddedness in the memory of economic experts and advocates of Nordic solutions. The Nordic countries, experiencing full employment and general prosperity, faced new concerns around balance of payment deficits, which investments could help rectify. Moreover, the bank promised to be both a massive resource for the rapid industrialisation of the Nordic peripheries and an opportunity to ensure equality amongst the various areas of cooperation housed in the preliminary NORDEK agreement. Lastly, the idea of the multinational investment bank, like the common market itself, captured the spirit of the mid-20th century, an outgrowth of the realisation that small nations were dependent on common institutions in order to succeed in the new global economy. Even Trygve Bratteli, Norway’s Social Democratic

Finance Minister, used his speech on the 1st of May 1968, International Workers’ Day, to call for the establishment of a “Nordic development bank” to help build the region.⁴⁸

While the Nordic investment bank emerged as a zombie proposal, rising from the dead whenever discussions of economic integration arose, it was hardly the most contentious aspect of NORDEK when compared to areas like agricultural and fishing exports. That NORDEK did not get bogged down was a testament to the efforts of the Nordic prime ministers, who pushed discussions forward through early 1969. New committees were assigned to draft an agreement, including a committee on financial issues headed by Hermod Skånland, a young Norwegian economist who was already making a name for himself in the Economics Department at the Norwegian Ministry of Finance. Physically, Skånland was a contradiction: a sharp and mature mind in a body that looked too young for its years. However, his willingness to participate in public debate made him a rising star amongst the conservative wing of the Norwegian

HENRIK LAURVİK / NTB SCANPIX / LEHTIKUVA



Hermod Skånland’s work in NORDEK’s financial committee would help provide the framework for the later Nordic Investment Bank.

Social Democrats.⁴⁹ In the coming decade, Skånland would prove himself willing to break with traditional Social Democratic platforms in order to combat inflation and Norway's loss of international economic competitiveness.⁵⁰ The economic prodigy's committee was tapped with developing the financial foundation for NORDEK, including the statutes that would govern a Nordic investment bank upon its creation.⁵¹

NORDEK's rapid pace disguised unresolved disputes between the Nordic negotiators, for example over time frames or whether NORDEK should imitate the EEC by establishing strong supranational organisations funded by a concrete common budget, as Denmark desired, or remain weaker with financial cooperation limited to the proposed investment bank and funds, as Norway and particularly Sweden argued. Finland, meanwhile, maintained reservations about NORDEK's effect on their relationship to the USSR, requiring affirmations that NORDEK would not affect foreign or security policy.

Amongst the proposals included in the NORDEK draft treaty delivered on 17 July 1969 were programs for strengthening Nordic economic competitiveness through industrial modernisation and rationalisation, a customs union that would establish a collective Nordic trade policy, and a Nordic Council of Ministers with representation from each Nordic government. In addition, the report drew upon the Skånland committee's recommendations for an investment bank providing loans and guarantees to stimulate Nordic economic integration. Consisting of the four countries that would participate in NORDEK – Iceland had followed the negotiations but saw little benefit in opening its markets to industrial goods⁵² – the bank would fund “projects of Nordic interest”, meaning projects unable to secure funds from traditional financial alternatives. The bank would initially be capitalised with 1000 million Swedish krona (about USD 200 million in 1969) with a loan capacity of about 2500 million SEK. Member countries would pay ¼ of initial capital over the

first five years, set in US dollars: Denmark \$12 million, Finland \$7 million, Norway \$8 million, and Sweden \$23 million. The proposed statutes for the Nordic investment bank generally followed previous models with only some minor changes, such as a managing board with 12 members, rather than the 16 proposed in 1957.

While the three funds – for agriculture, fishing, and modernisation – would be overseen by the newly created Council of Ministers, the Nordic investment bank would be an independent institution managed like a private bank and owned by the four states. Because their leadership would not be chosen by the governing parties that made up the Nordic Council of Ministers, the bank would ostensibly be free from direct political steering.⁵³ A non-voting representative of the Council of Ministers secretariat would attend board meetings, and the bank's capital would be kept separate from the general fund established to finance NORDEK.⁵⁴ The provision made the investment bank stand out in the broader infrastructure of NORDEK, which mainly concentrated on establishing “weak” institutions run by national governments, rather than institutions governed autonomously as a single entity.⁵⁵

Even after the submission of the final report and draft treaty, significant distance remained about trade issues.⁵⁶ Despite this discord, historian Lasse Sonne argues that what may have really denied NORDEK a swift and successful conclusion in mid-1969 were the disputes around financing institutions like the Nordic Council of Ministers, the new Nordic investment bank, and the three proposed funds. Denmark, Finland, and Norway had agreed to pay the share dictated by their national GDP, despite concerns that the investment bank's authorised capital would be insufficient to effectively promote cooperation between Nordic businesses. However, Sweden balked at footing so much of the bill while compromising in other areas like trade. The Swedish pretences to withhold financing may have signalled a declining faith in the project by

Tage Erlander and his government or, as Sonne speculates, was part of a tactical manoeuvre to extract further concessions, particularly from Norway and Finland, who were interested in financial cooperation. However, if Sonne is correct, the strategy proved a poisoned chalice, delaying enactment of NORDEK since “the plan for modernising Nordic industrial production could not be realised without this money”.⁵⁷

The following months were devoted to circulating the NORDEK plan amongst interest groups for comment. Some of the most enthusiastic support for NORDEK, and particularly the Nordic investment bank and three funds, came from the labour union federations, who issued a joint-Nordic statement that heralded these institutions as strengthening the effectiveness and competitiveness of both private and state enterprises and, in the process, contributing to labour movement goals like full employment and economic democracy.⁵⁸ Conversely, the reaction amongst the region’s industrial federations were mixed. Sweden and Finland saw NORDEK as a positive development, with the Finnish industrial federations particularly optimistic about the investment bank’s potential to raise capital for industrial projects. On the other hand, the Norwegian and Danish federations issued statements critical of NORDEK, potentially rooted in fears of association with Sweden’s active neutrality politics.⁵⁹

The reactions of the Nordic political parties reflected divisions between the various economic interests. Social democratic parties, especially in Norway and Finland, favoured NORDEK, the Finns believing that an injection of foreign capital would lead to a return of Finnish workers who had sought employment in Sweden after the Second World War. On the other end of the spectrum, Kåre Willoch, Minister of Trade from the Norwegian Conservative Party, challenged his own government’s support of NORDEK and decried its effects on Norwegian farmers. For Willoch, who likewise was critical of EFTA and preferred Norwegian accession to the European Community, this was the beginning of a long

adversarial relationship with the Nordic investment bank.⁶⁰ His views appeared to mirror those of the Scandinavian banking associations, which described a Nordic investment bank as redundant, while the Danish Merchants Society saw the Nordic investment bank as little more than another attempt by the state to flex its control of economic steering.⁶¹ Such objections cast a jaundiced eye upon claims of the bank’s independence from political manipulation.

Willoch and other objectors to NORDEK were in a minority, though, and the NORDEK negotiations proceeded with renewed vigour in October 1969. The new Swedish Prime Minister Olof Palme proved instrumental in pushing the process forward, actively seeking to bridge divides between the countries. This was accomplished in part by releasing the funds that the previous Swedish negotiators had refused to commit to NORDEK, including the financing of the investment bank and the three funds. By the end of November 1969, a deal seemed imminent, but Finland’s hesitation about continuing negotiations led to a compromise with the insertion of an escape clause permitting Finnish withdrawal

BJÖRN SIGURDSSON / NTB SCANPIX / LEHTIKUVA



Kåre Willoch, Norwegian Minister of Trade and a partisan of EEC membership, proved willing to break with his government over its support of NORDEK.



Olof Palme provided renewed vigour to the NORDEK negotiations in autumn 1969.

should other member countries join the EEC within a short time after signing NORDEK. Consequently, meetings between the prime ministers in Reykjavík on 4 February 1970 resulted in furious final negotiations that included discussion of the financing of the investment bank. The Swedes accepted the bank's total capitalisation of USD 200 million, which allowed the bank to raise up to USD 500 million on the back of a 2.5-to-1 gearing ratio borrowed from EIB. In a concession to the Finns, Sweden also agreed to the possibility of future capital increases and "special arrangements" to make lending easier. With the success of the final negotiations, the four prime ministers signed an agreement on NORDEK a few days later, with the intention to hold a formal signing on April 2, 1970 at Christiansborg castle in Copenhagen. At long last, the Nordic investment bank appeared to be a reality.⁶²

Any celebrations following the Reykjavík meetings would prove premature. As the process rounded the home stretch, NORDEK suddenly and unexpectedly fell apart. On March 24, 1970, Finland unilaterally

withdrew from the treaty prior to its ratification. In a communication sent to the other Nordic countries, Prime Minister Mauno Koivisto justified Finland's decision to withdraw by pointing to considerations in the other Nordic countries to join the EEC following Charles de Gaulle's resignation as President of France the previous year. The shocking move generated speculation of Soviet pressure upon the Finns to abort the treaty.

Modern historians, however, tend to locate primary responsibility neither with Koivisto nor the Soviet Union, but with long-time Finnish president Urho Kekkonen. For a variety of reasons, including a fear that NORDEK would disrupt Finnish relationships with the USSR as well as a political rivalry with the pro-Nordic Koivisto, Kekkonen had sought to sabotage NORDEK, even at one point writing negative articles about the programme under a pseudonym. However, when it appeared that NORDEK would go through and Soviet diplomats made clear their unhappiness about the treaty, Kekkonen acted to ensure its demise.⁶³



JARMO MATILAINEN / HS / LEHTIKUVA

Despite his own inclinations, Finnish Prime Minister Mauno Koivisto delivered news of Finland's withdrawal from NORDEK on March 24, 1970.

Subsequent discussions of a three-country Scandinavian treaty went nowhere. The idea of a Nordic economic union was returned to the catalogue of failed Nordic projects, this time seemingly permanently. It appeared that the Nordic investment bank would join it.

An Idea That Would Not Die

The Bank Proposal Revived

In the embers of NORDEK's failure, the face of Nordic cooperation was dramatically altered. No ambitious and far-reaching project of Nordic economic integration loomed on the horizon. Indeed, with Denmark's success in obtaining EEC membership in 1973, there was significant



EUROPEAN COMMUNITIES, 1972

By 1973, the Danish flag flew alongside the other members of the European Community in Brussels. Denmark's membership raised significant questions about the future of Nordic cooperation.

concern that the air had gone out of the Nordic balloon. Europe was becoming more interconnected and open, while Nordic cooperation was compartmentalised into less politically contentious areas such as labour market agreements, a culture fund, and judiciary and social policy committees.⁶⁴ At least for the moment, the era of grand plans of Nordic cooperation was over.

Still, with compartmentalisation came opportunities. No longer did the failure of a single integrated project doom smaller initiatives within it, as had stymied the creation of a Nordic investment bank in 1959 and 1970. Rather, a proposal in one sector was insulated from failure in others. The subsequent decade was consequently dedicated to erecting the programs of NORDEK without its institutional scaffolding, beginning with the Nordic Council of Ministers (NCM) in 1971. Consisting of the ministers of the five Nordic governments, the NCM could issue common reports and proposals for review by the Nordic Council and potential ratification by the individual Nordic parliaments. Thus, while not a law-making body in the style of the European parliaments, the NCM gave the Nordic countries a more direct avenue for developing common policy, in the process commandeering responsibilities from a Nordic Council that was becoming increasingly competitive and ideologically divided.⁶⁵

The early part of the 1970s proved quiet for a Nordic investment bank. The dynamic and hopeful decade of the 1960s, with its mixture of industrial optimism and counterculture revolution, gave way to what historian Tony Judt has referred to as, "the most dispiriting decade of the twentieth century".⁶⁶ Signalling oncoming changes, the Bretton Woods arrangement collapsed in 1971 when President Richard Nixon pulled the United States off the gold standard in the face of increasing trade competition from countries like West Germany and Japan. The decision weakened the previously rigid regulations around global monetary flows, prompting new challenges and openings for Nordic industries.

Yet, the plans for a joint financial institution were not forgotten, and pressure for a Nordic investment bank again began to bubble in the final months of 1974. Much of this motivation came from the continuation of high-level contacts. In November 1974, in preparation for a visit to Norway from Mauno Koivisto, now Governor of the Bank of Finland, a memorandum was dispatched from Hermod Skånland to now Prime Minister Trygve Bratteli. Skånland, himself now second-in-command at the Bank of Norway, suggested exploring “alternative methods for Norwegian financial investment in the Nordic region.”⁶⁷ Given that Skånland’s previous work in NORDEK had gone unrewarded, it is perhaps unsurprising that he resurrected the idea of a common investment bank



NTB SCANPIX / LEHTIKUVA

Trygve Bratteli helped revive the idea of a Nordic Investment Bank on the back of Norway’s anticipated wealth from oil and gas.

as a potential solution. The bank idea also served other functions for Skånland professionally, as he was in the middle of a battle for control of the Bank of Norway. Skånland advocated decreasing Norway’s alignment with European monetary policy to allow the Bank of Norway greater independence in managing its currency. Inter-Nordic collaboration may in this case have proven an enticing alternative and salve.⁶⁸

A month later and in a very different setting, a Nordic investment bank was again the subject of keen debate. At a dinner on the 3rd of December 1974, the NCM’s deputies discussed the establishment of a Nordic investment bank, although the participants proved hesitant to advance the discussion to official channels given recent memories of failed proposals.⁶⁹

The re-emergence of interest in a Nordic investment bank reflected a world that had undergone economic, financial, and geopolitical transformations. In 1973, Arab oil producers drastically reduced oil exports to countries supporting Israel during that year’s Arab-Israeli War, sending energy prices skyrocketing and wreaking havoc, including in the Nordic region. Denmark was especially hard hit, experiencing surging inflation and turgid growth. Gasoline rationing and restrictions on weekend driving, restrictive measures unseen since the Second World War, were introduced. A photograph of the Norwegian king riding Oslo’s tram symbolised the sense of public responsibility in the face of crisis.

Deliberations between the Nordic governments became more targeted towards addressing the looming challenges around energy and economic politics. A major concern was increasing cooperation on industry and energy – including in delivering oil and natural gas – across the Nordics without creating a wilderness of new institutions.⁷⁰ This agenda revealed a fundamental shift in power relations in the region. No longer on the economic periphery, both Finland and Norway had greatly increased their global competitiveness, the latter thanks in part to significant oil



JAN GREVE / NTB SCANPIX / LEHTIKUVA

The oil crisis was widely felt throughout the Nordic countries. In a well-publicized photo op, King Olav takes the tram to go skiing in Oslo.

discoveries in the North Sea. Indeed, the financial investments mentioned in Skånland's memorandum referred to the expected profits from future oil sales, which the investment bank could help distribute regionally, thereby taking pressure off the Norwegian authorities.

The oil crisis not only rewrote regional relationships, but also prompted the Nordic countries to increase their contacts and solidarity with the countries of the Third World, as it was then called. This included significant support in 1974 for the chartering of a "New Industrial Economic Order" to combat the widening gap between developed and developing countries. These developing countries, many of them abundant in raw materials, also represented potential markets that could stabilise the northern European economies.⁷¹

These considerations were at the forefront of a meeting of the NCM's Committee of Deputies on 11 January 1975. The committee was tasked

HANS T. DAHL SKOG / TT / LEHTIKUVA



Bengt Dennis, later head of the Swedish Riksbank, was involved in many of the 1975 discussions around a Nordic investment bank.

with planning a gathering of the five Nordic prime ministers later that month, to be held in Oslo by invitation of Trygve Bratteli. As Bengt Dennis, a Swedish governmental representative at the meeting, recounts, the idea of resurrecting the Nordic investment bank was initially raised by the Danes. Denmark was currently led by a caretaker government following its election two days prior, but it is possible that Danish representative Lars Blinkenberg had received the green light for a Nordic investment bank from the prospective social democratic government. At the same time, the subject may have had personal importance for Blinkenberg, one of two possible individuals Dennis identifies as the progenitor of the Nordic investment bank discussion during the December 3rd dinner.⁷² If such a personal interest did exist, its continuation in the following years was marked by Blinkenberg serving as the first vice-chairman of the bank's Board of Directors.

Based on the preparatory meeting, two of Bratteli's secretaries, Kjell Thorbjørn Kristensen and Arne Lie,⁷³ drew up a preparatory report on the creation of a Nordic investment bank. The report noted the utility of such an institution with the recent quadrupling of oil prices and Nor-



MORTEN JUHL, RITZAU SCANPIX / LEHTIKUVA

Lars Blinkenberg, a Danish representative, would eventually serve as the first vice-chairman of NIB's Board of Directors.

way's anticipated profits from oil and gas exports. It speculated as to why each Nordic country might favour a joint investment bank: Norway's desire to strengthen Nordic cooperation, Denmark's need to expand exports in the face of international deficits, and Iceland's lack of funds for industry and energy investments. Kristensen had further heard from Bengt Dennis that Sweden would support an investment bank should the political will for such an institution exist amongst the other countries. In Dennis' notes, political will would be determined by testing public opinion towards a bank; however, Kristensen and Lie interpreted Dennis' remarks to mean that the bank's statutes and conditions should simply be discussed by the prime ministers.⁷⁴ On this foundation, the report recommended that the prime ministers should order the creation of a Nordic investment bank to advance industrial cooperation and leave the ministers of Nordic cooperation to handle the practicalities.⁷⁵

Bratteli had reviewed these proposals by the time the meeting began at the recently opened offices of the NCM's secretariat in Oslo. Amongst the heads of state were Bratteli, Palme, and Icelandic prime minister Geir Hallgrímsson. Denmark still did not have a sitting government, while Finnish Prime Minister Kalevi Sorsa was sick. Thus, Denmark and Finland were represented by Cultural Minister Nathalie Lind and Foreign Minister Ulf Sundqvist respectively. Amongst the items on the agenda were plans for future energy cooperation, Nordic approaches to Portugal in the wake of the previous year's Carnation Revolution, and an item on "Nordic cooperation in the long term."⁷⁶ The establishment of a Nordic investment bank was filed under this final item.

Based on discussions with aides present at the meeting, Bengt Dennis describes how the discussion unfolded. After Geir Hallgrímsson initiated the topic of the investment bank, Palme urged the other leaders to be ready to implement a Nordic investment bank if a study was commissioned, since the act of forming a study represented *de facto* political approval of the bank idea. Next, Bratteli backed a "concrete proposal" as a means of securing capital inflows that could counter existing trade deficits. Lind and Sundqvist, meanwhile, voiced no objections and Sundqvist even spoke cautiously in favour of the proposal.⁷⁷

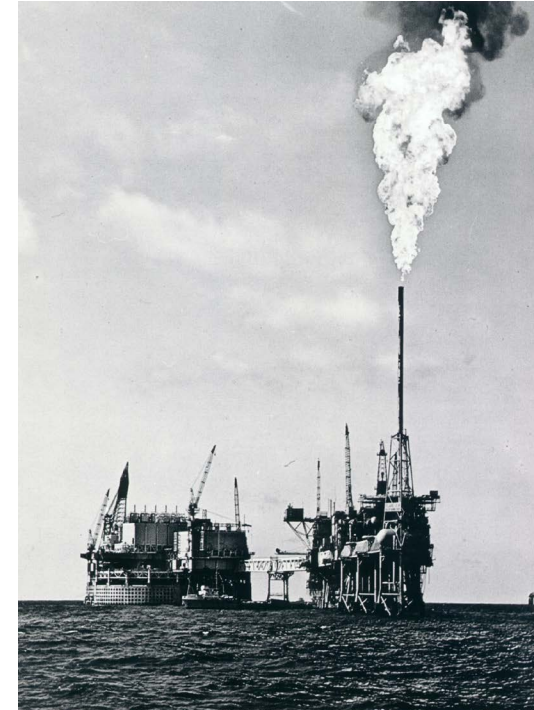
A press communique distributed after the meeting gave only a brief nod to this discussion, noting that a Nordic bank could complement existing credit institutions by financing investments and exports of a Nordic interest, as well as coordinate major investment projects to ensure the effective use of resources. Consequently, "the ministers were in agreement that a proposal for the creation of a Nordic investment bank based on banking principles and with foundational capital from the participating countries should be prepared as quickly as possible."⁷⁸

The decision by the prime ministers placed the investment bank as political glue to hold the Nordic region together. In a period where

prognostications of the death of Nordic cooperation ran rampant, the region was in dire need of a demonstration that shared Nordic goals and institutions had a future. As Bratteli had announced to the Nordic Council the previous year, the oil crisis was a reminder of the dangers of rejecting regional cooperation for national isolation and self-interest.⁷⁹ Bratteli's support of Nordic solutions was critical given the anticipated surpluses of Norwegian oil exports, which provided fiscal grease to the wheels of a Nordic financial institution. Observing the rapid progress towards a new Nordic bank, the US embassy in Oslo could thus conclude: "Oil has changed the picture, and has lessened Norwegian fears of Swedish domination."⁸⁰ Finland too had continued need for funds to develop its industries and businesses. However, motivations may also have been more immediate, and political scientist Claes Wiklund, former secretary in the Nordic Council, suggests that investment bank support stemmed partially from optics and the need to leave the Oslo meeting with a plan for future cooperation.⁸¹

To lead the working group that would conduct the authorised study, the prime ministers again turned to Hermod Skånland. Skånland was instructed to complete the report by the 1st of June, an extremely ambitious schedule given the often-glacial pace of previous efforts. Yet the working group proved equal to the task, submitting their report in May. It helped that the committee had a wealth of previous material to build upon. Unsurprisingly, the new report borrowed much from Skånland's NORDEK subcommittee, albeit with a few minor changes like adding export credits to the bank's operations, raising its base capital, and converting the base capital to Special Drawing Rights (SDR). Special Drawing Rights had been introduced by the IMF as a special reserve asset based on a basket of major currencies and obtainable by IMF members and some special holding institutions. The Skånland commission, like many others, saw SDR as a potential global instrument of the future.⁸²

NORSK TEKNISK MUSEUM



The discovery of oil in the Norwegian sector of the North Sea, particularly in the Ekofisk oil field in 1969, "changed the picture" by making a Nordic investment bank more appealing for Norway.

The approval of the investment bank report by the Nordic Council of Ministers was only the first step in a process of debate and ratification. While having declined greatly in importance in the previous half-decade, the Nordic Council remained an important venue where Nordic parliamentarians debated and made recommendations on regional projects, programs, and laws. However, when the NCM approved of the bank plan on June 19, 1975, the next Nordic Council meeting remained more than eight months away, scheduled for February 1976. As Hermod Skånland recalled in October 1976, the bank's proponents feared that, "if a time-consuming process was once more allowed to develop, the initiative might die from exhaustion."⁸³ Skånland and others had witnessed long delays and drawn-out investigations wipe out previous initiatives,

and, indeed, exhaustion seemed a legitimate risk given this long track record of failure. Thus, the 1975 proposal not only disregarded the usual process of investigation into the bank's economic feasibility, but the Nordic governments helped to push through an extraordinary session of the Nordic Council, the first of its kind since the organization's founding in 1952. Anticipating dissent, the bank plan was combined with proposed revisions to labour market cooperation policies, bolstering claims that the extraordinary session was needed to address multiple outstanding issues.⁸⁴ Nonetheless, the expedited process would prove a vulnerable flank to attack the new proposal.

Prior to the Nordic Council meeting, the bank plan had to go through several more rounds of assessment and validation, again including organised economic interests like labour and business federations. For the most part, these organisations responded positively, noting various projects and areas where a Nordic bank could contribute while seeking to tailor it to their purposes, for example by placing labour or business representatives on the bank's board. However, not all groups were so keen to see a bank actualised. Resistance emerged mostly from Denmark and Norway, where industrial and banking federations described the bank as superfluous or even damaging to their business interests. One line of criticism was the lack of specificity around the term "Nordic interest", which the Danish merchants society speculated opened the door to favouritism between the countries. Others fretted about the removal of NORDEK provisions limiting bank activity to cases where other funding was not available or that an official Nordic bank would leave businesses dependent on national authorities for their capital requirements.⁸⁵

Over three meetings in August and October 1975, the Economic Committee of the Nordic Council considered these opinions together with the Skånland report. Seventeen of the twenty-one-person commit-

tee approved the proposal with a few recommendations that gave greater control to the Nordic Council, namely that the bank's control committee should contain members of both NCM (3 representatives) and Nordic Council (5 representatives) and that the annual reports should be presented to the Nordic Council upon request. Several interest group recommendations were also inscribed in the committee's report, including a recommendation by the Bank of Norway—which, in a sign of the integrated nature of Nordic economic systems, was penned by Hermod Skånland—that a Nordic bank work closely with the central banks to ensure that its activities did not disrupt national monetary policy. Moreover, the committee urged that the bank's loans should ensure equality between countries by supporting growth in poorer Nordic regions. The committee's report supported loan evaluations considering socio-economic impact, albeit noting that this could prove risky if attempts to lower interest rates undercut the business of existing commercial institutions.

Despite being generally positive, the Economic Committee's report criticized the NCM for failing to have submitted an economic evaluation demonstrating the need for such a bank. By not submitting such an evaluation, the Nordic governments seemed to have bypassed the Nordic Council, an opinion the majority who approved the bank proposal shared with the four members of the committee who voted against it.⁸⁶

The Extraordinary Session

It was at last time for the Nordic Council to meet in Stockholm. On November 15, 1975, seventy-eight elected delegates and the representatives of five governments—amongst them Bratteli, Palme, Prime Minister Anker Jørgensen of Denmark, and caretaker Prime Minister Keijo Liinamaa of Finland—met in the main hall of Stockholm's old parliamentary building. The session began with statements explaining the bank pro-



The Nordic Council's first ever extraordinary session was held at the Old Parliament House in Stockholm.

posal and the justification for this extraordinary session. Speaking on behalf of the Nordic governments and the NCM, Ivar Nørgaard, Danish social democratic Minister for Foreign and Nordic Affairs, pointed to the necessity of greater capital import in the wake of the energy crisis. Investments made possible by this capital could not only improve industries and reduce dependency on foreign energy but would also encourage businesses to “think and trade Nordic.” Nørgaard declared the NCM’s hopes that this was the last time the Nordic Council would be debating a proposal for an investment bank and that, “the next time that one sees the investment bank on the Council’s agenda, it will be in the shape of an annual report.”⁸⁷

Following Nørgaard’s statement, Kåre Willoch rose to address the assembled delegates. An able and well-liked politician, Willoch’s resistance to NORDEK had led to his resignation as Minister of Trade, before taking the reins as leader of the Conservative Party. An accomplished and ruthless debater who spoke in rapid, clipped tones, Willoch was a fierce opponent of state-driven institutions and initiatives, which he

viewed as inefficient and redundant. While stepping down as head of the Conservative Party following a poor showing in the 1974 national election, he was sceptical of Nordic economic institutions that could endanger his preferred European solutions.

Willoch had penned one of the three reservations to the economic committee’s decisions together with Danish Conservative Party member Ib Stetter, who had the previous year called upon his conservative colleagues in the Nordic Council to address the Nordic citizen’s “dissatisfaction” by rejecting “the strong public use of capital.”⁸⁸ Willoch objected to the superfluosity of a Nordic investment bank, noting its overlaps with and threats to commercial banks. In addition, Willoch pointed out gaps and incongruities in the investment bank plan. Echoing the report of the Economic Committee, Willoch criticised the proposal for a lack of provisions to mitigate existing regional inequalities by supporting underdeveloped areas. Rather, the bank might *increase* inequality on both a Nordic and global level. Willoch charged the Nordic governments with hypocrisy for contemplating forming an investment bank while also touting international solidarity in their foreign policy. The Nordic investment bank, Willoch declared, would shrink the pool of international capital accessible for developing countries. Ultimately, the wealthy Nordic states would be increasing their own resources at the expense of, “a better balance between the rich and poor countries in the world.” Reiterating prior critique, Willoch cautioned his colleagues of a troubling desire to create institutions of a “Nordic nature” as an end in and of itself, rather than working to create pragmatic and productive cooperation.⁸⁹

Willoch’s criticism of the bank proposal neatly displayed the three major points of contention during the extraordinary session of the Nordic Council. As Gunnar Helén, a member of the economic committee, surmised, the question came down to whether such a joint financial

institution would positively contribute to economic growth, international equality, and Nordic cooperation.⁹⁰ The economic impact of the bank was the most straightforward. Between the commercial uncertainties following the oil crisis and the need to finance long-term projects, the investment bank appeared a welcome institution for many delegates. The bank could ease Icelandic and Finnish difficulties in accessing foreign funds and help launch new projects, particularly those that reduced the region's dependency on foreign energy. To measure the proposed bank's economic impact, EIB along with national institutions like Sveriges Investeringsbank, created by Swedish Social Democrats to fund large-scale industrial projects, were invoked by both supporters and critics to describe what a Nordic investment bank might become — dreams or nightmares respectively.

A less obvious point of contention was the role of a proposed investment bank upon the Nordic countries' reputations for international solidarity with the Third World. Other opponents of the bank supported Willoch's statements about the bank's negative impact on developing countries, even if they questioned his sincerity. Carl-Henrik Harmansson, a Swedish communist, scoffed at the "crocodile tears" of the conservative delegates even as he similarly accused the Nordic countries of taking money away from developing countries in their scramble to secure a shrinking pool of "oil billions".⁹¹ Even some reluctant supporters of the bank like Finn Gustavsen, a Norwegian socialist, were concerned that the Nordic investment bank would "strengthen the interests of rich Nordic multinational businesses" at the expense of applying "Nordic prosperity to further development in poor countries."⁹² In response, proponents of the bank argued that aiding the Third World demanded the creation of a Nordic bank to expand capital and production and allow the Nordics to "live up to the demands that international solidarity places upon us and the responsibilities that we have."⁹³

Such responsibility extended to the creation of a more unified and equal Nordic region. Willoch's criticisms of the absence of explicit programs for regional investment were repeated by delegates on left and right alike, including Jo Benkow, the erudite Norwegian conservative politician, who equated the Nordic investment bank with the disastrous Arctic expedition of Salomon August Andrée as described in Per Olof Sundman's *Ingenjör Andrées luftfärd*.⁹⁴ In the novel, Andrée had proved a prisoner of his own hype and financial backers, embarking on a poorly planned and ill-fated journey that resulted in the deaths of himself and two companions. The soaring rhetoric of idealistic Nordic unity, Benkow implied, may prove politically fatal if not balanced by realistic and pragmatic aspirations. Such arguments, however, proved a tough sell in the



NORDISKA INVESTERINGSBANKEN OCH Dess VERKSAMHET 1976-1985

Four Nordic Prime Ministers in Stockholm for the 1976 extraordinary session to discuss the creation of a Nordic investment bank. From left: Keijo Liinamaa (Finland), Trygve Bratteli (Norway), Olof Palme (Sweden), and Anker Jørgensen (Denmark).

Nordic Council, which still felt the sting of the NORDEK failure and laboured under a foreboding sense that Nordic cooperation itself had lost its vitality.⁹⁵ Per Kleppe, Norway's social democratic Minister of Finance, instead countered that a common Nordic institution was essential to regional development and energy politics, given that its purpose was to promote collaboration between member states and advance their socio-economic goals.⁹⁶

While demonstrating the continued vitality of Nordic cooperation may have appealed to many in the Nordic Council, the track record of failed bank proposals was not easily dismissed. In particular, conservative delegates objected to the proposal as the flotsam of earlier abandoned projects, noting that both the world and the region had moved on. Drawing upon language from the 1964 proposal, these critics consistently portrayed the bank as a political decision rather than an economic tool, indicating that its proponents were trying to force through an institution that was at best impotent and at worst harmful to existing commercial interests. Kleppe, for his part, denied the accusations that previous economic cooperation had been “haunted” by misguided attempts to expand bureaucracy. Rather, he argued that the lack of an institutional apparatus capable of gaining international resources had stalled these previous efforts. The Nordic investment bank presented a chance to fill this gap.⁹⁷

Kleppe's argument primarily addressed the conservative bloc of the bank's opponents, an uneasy alliance of the right and left ends of the political spectrum. Conservatives like Willoch and Ib Stetter opposed the bank's placement under state management and its potential investment in ever larger public projects, leading Stetter to paint the Nordic investment bank as a “socialist” initiative in both the Danish press and in the Nordic Council session.⁹⁸ Conversely, communist and left-leaning socialist representatives opposed the bank for the very fact that it did

little to compete with and decrease the influence of private banks and, in the case of some Finnish delegates, might hinder relations with the Soviet Union by placing more capital into western markets.⁹⁹

While united by a distaste for the social democrats, who had been the driving force behind the latest bank proposal, there was little strategic collaboration within this “unholy alliance”, as one social democrat described it.¹⁰⁰ Noting the tensions amongst the bank's opponents, Trygve Bratteli wryly observed:

The critique has come from two groups. Almost every time, it has started as if they were sailing out in completely different directions. Then they discover, and the rest of us too – apparently sometimes to their surprise – that even though they sail out in these very different directions, they end up in the same place in relation to the matter being dealt with here. They don't seem happy about what they encounter in this common place. In reality, they have arrived at a desert island in relation to this matter, and on this desert island nothing will grow either on a Nordic or national basis.¹⁰¹

However, there was one issue upon which nearly all Nordic Council delegates could agree: the current session was mostly extraordinary for its lack of necessity. Even the bank's proponents complained that they had not received an economic analysis of the proposed bank nor sufficient time to review the proposal in committee. Indeed, Jo Benkow even chastised the NCM of rushing so much that there had not been time to translate the agreements into the various Nordic languages, as was mandated.¹⁰² Such haste was pinned on the Nordic governments' sense of current crisis and their desire to start competing for international capital as soon as possible.¹⁰³ Given swirling doubts about the Nordic Council's role going forward, the rushed process only confirmed the sense that

the organisation existed to rubber stamp NCM proposals. Perhaps for this reason, support gathered behind a motion to send the proposal back to the Economic Committee for further analysis and revision in anticipation of the next regular Nordic Council meeting, now only three months away.

Ultimately, this displeasure did not prove enough to stop the Nordic Council from approving the bank proposal. Even before the vote took place, it had become clear that it would pass. Kirsten Jacobsen, a representative of the newly established ultra-liberal Danish Progress Party, which had shocked the nation by becoming the second biggest Danish political party in 1973, accused the Nordic Council of Ministers of “smuggling in through the back door” a majority that would carry the bank proposal.¹⁰⁴ However, neither the conservative nor the socialist party groups in the Nordic Council were able to unify around opposition to the Nordic investment bank, whereas larger factions like the social democrats almost universally leant their support.¹⁰⁵

In the end, the vote was not close. The request to send the proposal back to committee failed by a vote of 61 to 14. The vote on the bank was even more lopsided, with 59 in favour of establishing a Nordic investment bank and only 10 against, primarily from the political left and right.¹⁰⁶ The last major hurdle facing the Nordic investment bank had been cleared. On the 4th of December 1975, five ministers of Nordic cooperation met to sign a formal agreement at Christiansborg in Copenhagen. The bank still required approval from the respective national parliaments in order to confirm its funding, yet the support of the major institutions of Nordic cooperation made this approval a somewhat forgone conclusion. No unexpected and destructive national resistance to the bill sprang up in the final stretch, as had befallen the doomed NORDEK plan. Instead, the Nordic investment bank sailed through a series of parlia-

mentary votes, as a committee made the final decisions on the practicalities and organisation of the Nordic investment bank.¹⁰⁷

One last major question remained to be settled: where should the bank's headquarters be located? The Skånland committee had determined that this was a political question, and thus passed it on to the elected leaders. The decision had both operational and political consequences. On an operational level, the location of the headquarters would help determine the talent pool by which the bank could be staffed, as foreign talent would have to be recruited and convinced to relocate, as well as requiring arrangements with the host country around issues like taxation of the staff. On a political level, the presence of the bank would add weight to that country in the context of Nordic cooperation, requiring a careful consideration of regional balancing.

It was on the latter basis that Finland made its push to land the bank, arguing that the other four countries housed Nordic institutions—Norden's Hus in Reykjavík, the NCM's secretariat in Oslo, the NCM's cultural secretariat in Copenhagen, and the secretariat for the NC's leadership, the Presidium, in Stockholm—while Finland was left out. Initially, however, such arguments made little headway. Rather, it seemed the bank would be placed in Sweden or Norway, with Stockholm the most likely destination. The other Nordic negotiators perceived Helsinki as too peripheral to the rest of Norden, limiting the amount of high-level talent that could be drawn upon and, as one Nordic Council delegate sneered, “smells too much of Eastern Europe.”¹⁰⁸

It is unclear how and when momentum shifted towards a Helsinki headquarters. Newspapers from the time provide conflicting accounts about whether a decision had been made by the time of the Nordic Council's extraordinary session, with some claiming that Finland had already received the headquarters. Helsinki may have been unofficially chosen as early as late October, when Finnish President Urho Kekkonen



PEER PEDERSEN / RITZAU SCANPIX / LEHTIKUVA

The Nordic representatives toast the signing of NIB's treaty on December 4, 1975 in Copenhagen. From left: Kristian Gestrin (Finland), Kjell-Olof Feldt (Sweden), Ivar Nørgaard (Denmark), Bjartmar Gjerde (Norway), and Sigurður Bjarnason (Iceland).

made a four-day visit to Sweden where he discussed, amongst other issues, the Nordic investment bank with Palme.¹⁰⁹

Other sources however claimed that no decision on the new institution's headquarters had been made by the conclusion of the Nordic Council session and anticipated a dramatic battle for control of the headquarters in its aftermath. Quoting notes from a meeting on November 11th, a few days before the session, Bengt Dennis moreover catalogues a series of bizarre proposals by the Nordic ministers of cooperation for shuffling the institutions of Nordic cooperation to ensure Helsinki received some kind of compensation while keeping the bank out of their grasp. It was not until December 4th that Dennis claims that the ministers finally settled on Helsinki.¹¹⁰

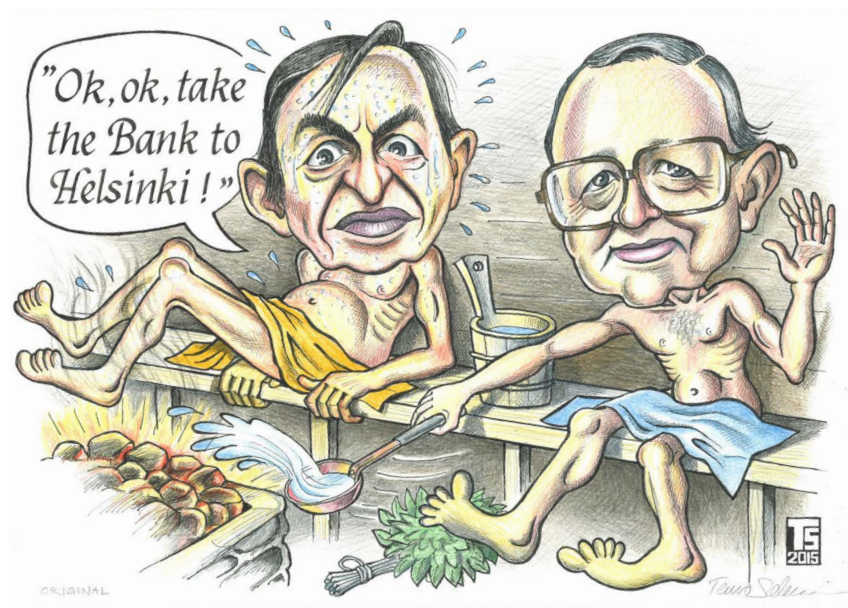
According to one well-circulated, but probably unlikely story, the matter had been resolved when Finnish Prime Minister Kalevi Sorsa convinced Olof Palme to place the bank in Helsinki during a visit to a

smoke sauna in Finnish Lapland. While making for a great visual, it is unlikely to have occurred, not least because Finland had since June been led by a new caretaker government under Keijo Liinamaa. The story is most likely an amalgamation with other major decisions taken in a sauna in NIB's early history.¹¹¹ Indeed, Palme may have needed little convincing. In a later interview, Kjell-Olof Feldt, Palme's Minister of Nordic Cooperation, recalled the desire of the Swedish government to bind Finland closer to Norden and thus weaken Soviet influence in the country. A Nordic Investment Bank presented one more institution pulling Finnish interests westwards.¹¹²

A Long Prehistory

After decades of failure, retooling, negotiation, and further failure, the Nordic Investment Bank had become reality quicker than anyone reasonably could have expected. The rapid agreement presented a divergence from traditional Nordic cooperation, forgoing the protracted deliberation of potential ramifications, as the Nordic governments scrambled to act upon the prime ministers' support at the Oslo meeting.¹¹³ If it is to be believed, as some historians have argued,¹¹⁴ that Nordic cooperation exists within a tenuous equilibrium, pushed together by global crisis and pulled apart by international pressure, then the environment from which NIB emerged was ideal. The economic pressures of the oil crisis inspired an openness to Nordic solutions, the question of European integration had been momentarily resolved, and the Cold War existed in a post-Vietnam period of détente. In any case, the establishment of NIB was far less threatening to existing power structures than the Nordic Customs Union or NORDEK had been, limiting the international backlash that may have doomed previous ventures.

Additionally, the idea for a Nordic investment bank had existed for nearly a quarter century by the time it was enacted. Not only did the timing have to be right – promising both positive political and financial outcomes and lacking the risk to seriously upset the Nordic countries’ economic, foreign policy, and security arrangements – but the bank had to be understood as a desirable form of Nordic cooperation. While some politicians on both left and right objected to the various implications of state-based cooperation in the financial sector, for the most part NIB was widely viewed as a positive, or at worst innocuous, method of ensuring ongoing Nordic cooperation despite external strains.



The amusing, although unlikely, story of Olof Palme and Kalevi Sorsa’s smoke sauna meeting was captured in a cartoon commissioned for NIB’s 40th anniversary.

TEUVO SALMINEN, 2015



National ratifikations of the Nordic Investment Bank’s Treaty from spring 1976.

The agreement for a Nordic investment bank came into effect on the 1st of June 1976. Two months later, on the 2nd of August, the new institution would receive the first payment of its subscribed shares. After being conceived in 1952, both the region and the bank proposal had undergone significant transformations. Now, it was time for the real work to start. ●

Endnotes

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