

# From Vikings to Welfare

## Early State Building and Social Trust in Scandinavia

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### Abstract:

The Scandinavian welfare states hold the highest social trust scores in the world. Why? Based on the stationary bandit model by Olson (1993), we first demonstrate that early state building during Viking Age facilitated public good provision and extensive trade. Social trust were probably *not* destroyed but rather accumulated in the following centuries up till the universal welfare state of the 20<sup>th</sup> century. Focusing on the case of Denmark, our tentative argument is that social trust was not destroyed through five subsequent phases of state building but rather enhanced. Long-run political stability arguably allows such a self-reinforcing process over time between institutions and social trust.

### **Keywords**

Social trust, welfare state, Viking Age, Scandinavia, state building, plunder, trade.

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## 1. Introduction

Why does Scandinavia hold the highest social trust scores in the World? It is still unclear how the observed high level of social trust in the Scandinavian countries has been generated (Svendsen and Svendsen, 2009). Several competing explanations can be found in the literature.

Putnam's explanation is that social trust is built bottom-up by ordinary citizens in voluntary, civic associations (Putnam 1993a). In recent years, Putnam's approach has been criticized for one-sidedness (e.g. Portes 1998; Kumlin & Rothstein 2005), or has simply been abandoned (e.g. Newton 2007; Bjørnskov 2009). This has given room for alternative explanations, such as the impact of socialization (e.g. Dohmen et al. 2007), culture (e.g. Uslaner 2002, 2008), religion (e.g. Delhey & Newton 2005; Weber 2009), and the quality of state institutions (e.g. Rothstein 1998; 2009). Not least, the role of the state in promoting the public good of social capital is now eagerly discussed (e.g. Herreros 2004, 2009; Ostrom and Ahn 2009).

Thus, bottom-up explanations have given way to top-down explanations and the concomitant belief that state policies and institutions can change society radically, and within a reasonable time horizon. Not least the beneficial effects of welfare state institutions have been stressed. Indeed, it has been suggested by Rothstein and others that – in the case of the Scandinavian countries – it is simply the invention of the universal welfare state that has been conducive to high levels of social trust (Rothstein 2003). Elsewhere, Kumlin and Rothstein (2005) direct a similar attack on Putnam's civic society approach, turning the institutions matter argument into the policy recommendation that, when investing in social capital, governments should increase "the quality of political institutions" rather than supporting voluntary civic associations (op.cit.: 362).

However, this obviously does not explain the *emergence* of such institutions in Scandinavia (Sweden, Denmark, Norway, Finland). Putnam (1993a: 184) states that we may assume that civic traditions are accumulated (or lost) through long, historical processes: "Most institutional history moves slowly [and] history probably moves even more slowly when erecting norms of reciprocity and networks of civic engagement". This may be the explanation, why the Scandinavian countries enjoy high levels of trust

which, to some degree, have insulated these nations from non-cooperative behavior and free-riding.

While both institutional quality and equal access to public goods indicate an ‘institutions matter’ approach, ‘history matters’ as well. *Informal* institutions may gradually become codified into formal institutions in the course of history (cf. Putnam 1993a; Fukuyama 1995). In the words of Weber, “the legal guarantees and their underlying normative conceptions were slowly developed, the former following the latter, on which they were based” (Weber 1978 [1922]: 332). In that way, formerly informal institutions were *formalized into specific rules of the game*, thus maintaining and – probably also – enhancing social trust. Hence we combine the institutions matter idea of Rothstein with the history matters idea of Putnam/Fukuyama/Weber when trying to explain the peculiar ‘trust excellence’ in Scandinavia. Drawing upon this work, we provide a new perspective by adding the stationary bandit model of Olson (1993). Our tentative argument is that the roots of social trust in Scandinavia may be traced back to the Vikings. We associate the term “Viking” with the “Viking Age” in Scandinavia, i.e., the period generally accepted to cover the three hundred years from 780–1080. Such an analysis is highly conjectural and must of course, due to lack of sources, be considered with the appropriate reservations.

The Vikings were simply reacting economically rational to changes in constraints when switching between two overall strategies, namely from roving to stationary banditry. In particular, the Vikings proved to be efficient state builders when providing crucial public goods during the 10<sup>th</sup> century. Economically rational behaviour among Vikings may have facilitated the needed formal and informal institutions to ensure predictable behavior in society and the historical accumulation of social trust in today’s Scandinavian welfare states.

The roots of social trust in Scandinavia are traced in the following way. First, we develop a theory of rational state building and link it to the actual behavior of the Vikings (Section 2). Next, focusing on the case of Denmark, we then demonstrate how social trust was *not* destroyed but rather further nurtured and codified through five, subsequent historical phases as a result of positive feedback effects (Section 3). Finally, we give a conclusion (Section 4).

## **2. The Vikings as state builders**

A peculiar trait of the Scandinavian Vikings was their ability to switch between two overall strategies: Plundering and state building. In fact the word ‘Viking’ means pirate. However, as the historical sources document, the Vikings were far better than their reputation. The one-sided picture of the terrible Vikings was constructed during the Middle Ages for certain political purposes, and it has prevailed ever since (Langer 2002, Coupland 2003).

The Vikings had a second strategy – state building – which increasingly became the prevailing one during Viking Age. Nevertheless, due to the exaggerated medieval picture of the Vikings their skills as eminent state builders have been somewhat overseen.

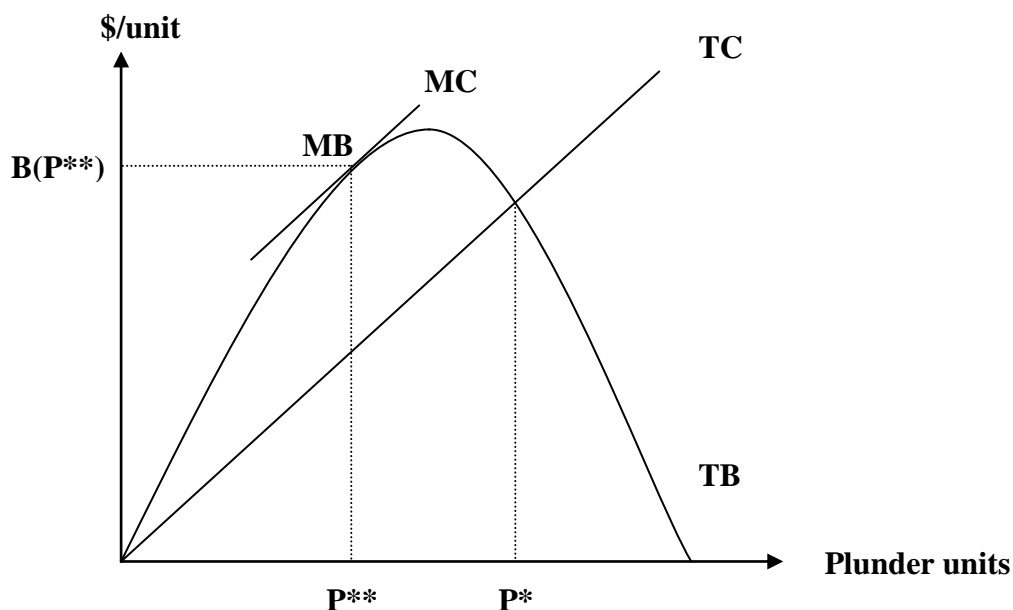
In the following, we argue that the overall framework of Viking rational behaviour, including both plundering and state building, was trade. This involved the establishment of strong trade norms, supporting the state building strategy. Hence, the existence of extensive long-distance trading indicates the existence of high levels of social trust in the predominantly oral Viking world as such informal institutions are probably necessary in the absence of the formal networks of information that for example supported the medieval trade across the Mediterranean (cf. Greif, 1989).

Putnam writes that the feudal monarchy established in Southern Italy in 1130 by Norman Viking descendants was “singularly advanced, both administratively and economically” (Putnam 1993a: 122). State building also comprised “the provision of justice and public order”, that is, state monopoly over violence (ibid.).

### **2.1 Strategy one: Plundering**

Plundering basically corresponds to the common-pool problem of fishing or hunting. During roving banditry, confiscating goods from farmers, traders, etc., is a free-access resource. Therefore, we simply suggest that eventually the roving bandits become too many; they over-plunder and lose profits, as shown in Figure 1.

Figure 1. Roving banditry and over-plundering.



Source: Svendsen (2003).

The difference (vertical distance) between total benefits (TB) and total costs (TC) shows the net benefits from plundering. This difference between TB and TC is maximized at plundering effort  $P^{**}$ . This is the efficient level where marginal benefits (MB) are equal to marginal costs (MC). MB represents the slope of the TB curve and the MC tangent can be identified as the constant slope of the TC curve.

Access to plunder is in principle unrestricted, and an increasing number of roving bandits will therefore expand plundering effort beyond  $P^{**}$ . Why does such over-plundering occur? The case of roving Vikings is similar to that of an individual fisherman trying to catch as much fish as possible (cf. Anderson, 1984). Each Viking will likewise try to “harvest” as much as possible and increase plundering efforts until profits are zero, i.e., to  $P^*$  in Figure 1. At this point, total revenue from plundering is reduced and total costs increased compared to the optimal level,  $P^{**}$ .

In other words, roving bandits, such as the Vikings, will plunder more than what is efficient in order to maintain the efficient amount of production factors. These uncoordinated activities reduce the stock of production factors for farming, trading, etc.,

and thereby future economic growth rates, i.e., the steady state profit level from plundering will be lower.

Historical evidence actually documents that the profits from Viking raids abroad – as measured in silver – declined during the 9<sup>th</sup> century. Vikings engaging in roving banditry eventually experienced profits from plundering approaching zero due to an increasing number of competitors. Moreover, defenders became better organized so to resist the raids and about 880 the ‘good old’ roving days were over, mirrored in the unsuccessful siege of Paris in 885-886 by a Danish Viking army (Kurrild-Klitgaard & Svendsen 2003).

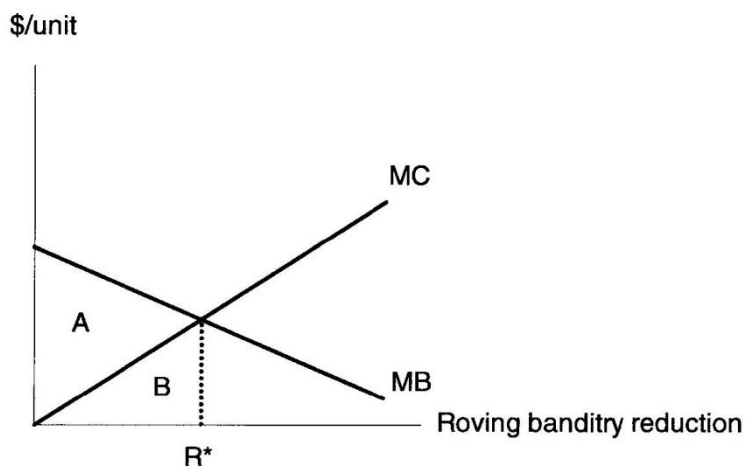
## 2.2 Strategy two: State Building and Taxation

Thus, one would expect that rational roving Vikings would start looking for other and more profitable options. The strongest Viking rulers with a relative advantage in the use of coercion thus had an economic incentive to move to stationary banditry where they would increase profits by settling down, providing public goods and taxing local people rather than roving and looting, a pattern consistent with empirical observations detailing the developments over time in the number of raids and the amount of wealth extorted.

This shift from plunder to state building can be explained in the line of the stationary bandit model suggested by Olson (1993). It will pay individual roving bandits to change behavior, when over-plundering eradicates profits. By becoming stationary, they will be able to exclude others from plundering that area and start taxing. The optimal level of plundering with a stationary banditry is where the marginal costs equal the marginal benefits of reducing roving banditry (Kurrild-Klitgaard and Svendsen, 2003)..

Figure 2 suggests that total benefits from reducing roving banditry to the optimal level  $R^*$  amount to areas A + B, whereas the total costs of doing so amount to area B. Thus, area A shows the positive net gain from having a stationary ruler settling down and providing public goods. In this case by enforcing property rights and security when protecting his citizens against roving banditry.

Figure 2. State Building



Source: Kurrild-Klitgaard and Svendsen (2003).

The Danish king Godfred (†810), who ruled at least the Southern part of present Denmark, is an illustration of a public-goods-producing bandit. He may have begun as a Viking, and spent the first years of the 9<sup>th</sup> century raiding the Frisian and Slav coasts and extracting tribute. From this he accumulated considerable wealth, becoming the first Danish king known to have controlled a fleet and a cavalry and to have engaged in major public works. The wealth was probably what made it possible for him to rebuild and expand the fortifications against the South, which are a part of Dannevirke, the old border “wall” between Danes and Germans (ibid.). Likewise, the establishment of Danelagen [i.e. the area under Danish law] in 878 in Eastern England had a persistent impact on trade, administration, social equality and legal system in what still today are sometimes called “The Scandinavian England”.

Similar events took place in other Viking settlements than those in Scandinavia. An example is the formal treaty made in Claire Sur Epte, Normandy in 911, in which Charles the Simple (†929), King of the West Franks, conceded Rouen and the lower Seine Valley to the Viking leader Rollo (†932). He did so “for the protection of the kingdom,” i.e., in order to get Rollo to protect Paris and its vicinity. Indeed, local inhabitants often welcomed the Vikings as protection against other attackers (Sawyer 1982; Jones [1968] 1984).

By settling, Vikings were able to build organizations that could offer solutions to collective action problems, doing so by accumulating revenue from a number of sources, ranging from simple plunder to extortion of tribute and taxes, as well as by selling their services. Consequently, they produced protection and law enforcement, engaged in public works, supported the growth of trade, etc., while simultaneously reaping rents for themselves. Increased production and trade in turn increased their tax collections, as illustrated by the case of England. *Danegeld*, i.e., money paid as tributes by communities in return for *not* being attacked, became a central aspect of the raids in the 10th and early 11th centuries, which was substituted for a more regular tax structure in 1012, where an annual tax was levied on all and with a special *heregeld* (army tax) taking precedence over all other taxes (Kurrild-Klitgaard & Svendsen 2003; Jensen 2006).

### 2.3. Trade

Early on, trade in Northern Europe had been greatly enhanced by the Muslim invasion of Southern Europe from the beginning of the 8<sup>th</sup> c., which pushed international trade from south to north (Brøndsted 1960; Ramskou 1962). In the Scandinavian areas, many former Viking military bases were eventually turned into important trade centres during the 10<sup>th</sup> century, most notably Hedeby and Ribe in Denmark, Kaupang in Norway and Birka in Sweden. Trading centres like these flourished partly due to being fueled by Viking loot (Roesdahl [1991] 1997).

The revenue brought home from Viking activities and from controlling trade is often seen as being one of the main elements of making possible the already mentioned centralization of power and institutionalization of trade in the Viking Age. In Denmark a number of smaller, more or less independent kingdoms were united into a single country, and the same process seems to have characterized the contemporary Norwegian and Swedish areas, and in each case Norsemen who had been Vikings seem to have played an important role (Kurrild-Klitgaard & Svendsen 2003).

Informal rules of the game were necessary in such a non-literate culture, where only very few had the skill of writing and reading *runes*. The linear and angular shapes of this alphabet reveal that it was designed to cut short messages easily into wood, bone and (later) stone (Hall 2006). The Viking saying “a word is a word” remains in use in



the Nordic languages, indicating that if a man breaks his word he no longer qualifies to be treated as an equal. It probably dates back to around 800 and was written down in formal law ("Jónsbók") in 1281. Furthermore, sources indicate that the Vikings felt that it *pays* to be honest. For example, a Norwegian text from 1240 entitled The Vikings' Guide to Business Success (from *Konungs skuggsjá*: The King's Mirror, i.e. a 'mirror of society', about AD 1240) teaches honesty, reliability and respect for other people out from sheer self-interest and reputation building rather than altruism. E.g., one reads:

It is often the best men, who choose this occupation [trade]. But it has a lot say whether you choose to resemble those who really are tradesmen or those who just call themselves tradesmen but who are, rather, hucksters and swindlers who buy and sell in a dishonest way (Vikings' Guide 1997: 11, our translation).

Social trust where a word is a word was established due to necessity because not all traders knew each other in advance. If a trader did not keep his word, he would be socially sanctioned in this non-written culture and get a bad reputation. It will be harder for the 'cheater' to trade in the future and this effect will discipline behavior and prevent free-rider behavior. Thus, the trade norm of keeping ones promise can be maintained when socially sanctioned, a norm still present in Danish legislative practices (Lookofsky 2008).

#### 2.4. Two ship types

The shift from plunder to trade are reflected by the shifting predominance of two ship types. The Scandinavian countries are surrounded by the sea and criss-crossed by fjords, lakes and rivers. Denmark, for instance, is sometimes called "The Blue Kingdom" or "The Country of Many Islands" as there are roughly 500 islands and a coastline of more than 7,400 km (4,600 miles) (ibid.). Nowhere in Denmark is more than about 75 km (50 miles) from the coast and sailing north-bound round Jutland across the Skagerrak, with the habitable coastal strips of southeast Norway to port and southwest Sweden to starboard, the waters gradually narrow into the funnel of the Oslo Fjord. A safe sailing route up the Atlantic western coast of Norway, formed by a protective barrier of skerries and islands, was known as the 'north way' and eventually gave the country its name. In

Sweden, there are likewise many accessible waterways of the lake Mälaren area in the vicinity of modern Stockholm, and beyond that the lands bordering the Gulf of Bothnia, with Lapland to the North and Finland to the east (Hall 2006).

Consequently, Scandinavia became a seafaring culture that developed a line of vessels through the Stone and Bronze Ages. The crucial culmination of this line was the early innovation of the magnificent Viking longship (the 8<sup>th</sup> century *langskipu*). This ship was equipped with keel as well as the so-called keel pig (*kølsvin*), a device that effectively locked the mast into the keel, connected to a mast fish (*mastefisk*) placed above deck, allowing the mast to be put down in a moment. In this way, the enormous pressure on sails and mast in open sea was spread to the whole ship (Ramskou 1962; Jensen 2006). The lean and predatory longship played the starring role in the raids during the 9<sup>th</sup> century, and was later supplemented by the *knarr*, a sturdier swan-breasted cargo ship built for trade in the 10<sup>th</sup> century (Chartrand et al. 2006).

Cooperation was local and, later on in the period when state building in Scandinavia was increasingly taking place, organized by the so-called *leding* system (oldnordic *leiðangr*, i.e. what is going out in the *leden*, the coastal water). In this system, each *herred* (shire) were divided in a number of *skibener* (ships), subdivided in *havner*. Each *skiben* had the responsibility to equip and manage a *ledingsskib*, a leding ship (Jensen 2006: 426). In fact, the maritime operations were of such a scale that individual attacks most probably were part in an overall political-military plan from the side of Viking leaders in Scandinavia, made possible by a centralized organization and coordination of all activities (Jensen 2006: 425, 426).

### **3. Historical Phases and Feedback**

#### **3.1 Phase 1: Viking Age**

When trade flourished after state building in Viking Age, the evolving trust-based trade norms were increasingly institutionalized in legislation and the political system culminating in the modern welfare state after World War II. Hence the success of the Scandinavian universal welfare state may simply that it is deeply embedded in old and politically stable monarchies allowing a historical accumulation of social trust.

This idea is confirmed by a new and comprehensive historical cross-country analysis by Bjørnskov and Kurrild-Klitgaard (2008). They find that monarchies exhibit more political stability because monarchs introducing reforms have been in power for long and have had time to build a reputation. Scandinavia today holds long existing monarchies. In Denmark, for example, the first king can with certainty be traced back to Gorm the Old (†958). As attested by the Jelling stones, the unification of the lands known as Denmark was achieved by Harald Bluetooth (†985), the second recognized Danish king. Harald's son Svend Forkbeard conquered England in 1014.

### 3.2. Phase 2: Early Feudalism

The first phase after Viking Age can be termed *Early feudalism*, which existed from the 12<sup>th</sup> century to about 1300. This period was characterized by weak kings strongly dependent on faithful warlords, or vassals. Thus the king was forced to participate in regular, institutionalized meetings with his vassals and subsequently confirm his promises in coronation charters or *Håndfæstninger* (lit. an agreement by shaking hands) (cf. Knudsen 1995: 109). Such a system was not unusual in Europe, however it must be remembered that feudalism had a weak impact in Denmark as well as in the rest of the Nordic countries. Thus in contrast to Western and Southern Europe, the Nordic areas largely remained consensus societies with high levels of social and economic equality, here not least Sweden – wherefore Sweden has been termed “the strong society” based on *samförstand*, that is, strong cooperative norms (Knudsen 1993: 57; 1995: 77ff.).

Note also that norms were gradually codified in formal institutions, for example in legislature. In Denmark for example, in Law of Jutland of 1241 it was stated that “thing-witness [*tingvidne*] means that the good men, who were present at the thing [i.e. court place], make their witness about what they heard and saw” (Book 1, Chapt. 38). Furthermore, at the thing disagreeing landowners should not only thing-witness but also “swear” upon the agreement they had reached (Book 1, Chapt. 52). Further, at the local thing, eight “truth-men” [*sandemænd*] should swear about “homicide, mutilation, rape, vandalism, field boundaries, injuries, [robbed] church property (..) and imprisonment” (Book 2, Chapt. 2).

### 3.3. Phase 3: The Assembly of the Estates Era

*The Assembly of the estates era* is the period from c. 1300 to the establishment of absolute monarchy in 1660. It was characterized by regular assemblies of the estates of the realm, securing significant political power to an assembly of representatives from all ranks as a kind of ‘people’s representation’ (Knudsen 1995: 28). Also the so-called Council of Denmark (*Rigsrådet*) was established, with the participation of some of the most powerful magnates and noblemen. The assembly included peasants who had, however, only a symbolic role. This was in contrast to what was the case in Sweden, where the assemblies were held until 1866 (the last assembly of the estates of the realm in the world), ever including representation of the peasants (Knudsen 1995: 31). The first assembly of the estates of the realm in Denmark took place in 1468 (in Sweden in 1520). Later on, political influence was however gradually monopolized by the empire council, and the last assembly was held in 1536 (Knudsen 1995: 109ff.; Pulsiano & Wolf 1993).

In contrast to the previous meetings between king and vassals, the new assemblies worked in accordance with “detailed, written rules that described how the discussions should take place, how decisions should be made, and how decisions should be assigned the emperor” (Knudsen 1995: 29). Furthermore, while previously a dozen powerful vassals and the king had been united in a network based on strong, personal relationship – with the king in the role as the first among equals and the network safeguarding their own personal interests more than anything else – the assembly representatives did not know the king personally and stood before the king as “the representatives of the territories” (ibid.).

### 3.4. Phase 4: Soft feudalism

With the introduction of absolute monarchy in 1660, the king formally became the sole ruler. In practice, however, he was strictly controlled by *Rigsrådet*. Due to this fact, and for many more reasons mentioned below, the period might be termed *Soft feudalism*. It ended up in an unbloody transition to constitutional monarchy based on the Constitution of 1849: “When the autocratic monarchy fell, it was without any blood shed whatsoever, similar to what was the case when it was introduced [in 1660]” (Knudsen 1993: 91).

Hence Copenhagen became the “only capital in Europe where not a single shot was fired, in spite of political unrest” (Ibid.). During the period 1660-1848, a further

step was taken in the direction of institutionalization by the introduction of the famous written constitution called *Lex Regia*, a further development of the *Håndfæstning*. During the period, the state system was costly, however, a centralized state was greatly enhanced, enjoying strong legitimacy within the population. It was equipped with loyal, skilful and non-corrupt state employees, mostly highly educated people from the urban bourgeoisie, and should, overall, be seen as a modern and effective state apparatus (e.g. regarding taxation and recruitment of soldiers) – at least when compared to many other countries at the time (Knudsen 1993: 88, 84). Also, at this time, the old norm of ‘a word is a word’ was inscribed in the constitution. Thus, Danish Law of 1683 states that “Everybody has a duty to to fulfill what he with mouth, hand or seal has promised” (Fifth Book, Chapt. 1,1), and that “all contracts (..) should be kept in all their words (..), in which they have been agreed upon” (Fifth Book, Chapt. 1,2).

Later on, the autocratic monarchy showed a remarkable ability of testing and implementing new reforms – hence the name “the reform friendly autocracy” (*Den reformvenlige enevælde*). This includes recruitment of Germans to the state bureaucracy, a poor people’s law of 1708 and, not least, a major agricultural reform implemented in the late 18<sup>th</sup> and early 19<sup>th</sup> century. Old virtues of equality and peaceful cooperation could also be seen between a “balanced relationship of mutual dependence” between feudal landowners and peasants, in contrast to what was the case in countries like Prussia and Russia (Knudsen 1993: 79).

### 3.5. Phase 5: Liberal-Capitalist State

During the 19<sup>th</sup> century, social trust was not only preserved. It simply became the hard rock under a rapid accumulation of social trust in the form of widespread networking, to the benefit of the whole kingdom. This happened with the introduction of a liberal-capitalist state – that is, a political system which firmly institutionalized basic civic rights and thus allowed for a flourishing civic society and widespread provision of public goods (i.e. *not* destroying or forcing, but simply facilitating civic engagement).

Already during the late 18<sup>th</sup> and 19<sup>th</sup> centuries, social trust building was promoted by a codification of cooperative norms, that is, positive feedback effects confirming and reinforcing an ancient trust culture. Among the most important are the Law of Abolition of the Adscript of 1788, implementation of major land reforms about 1800, stimulating

former serfs to become free peasants, a new constitution of 1849 securing basic freedom rights for all citizens, social reforms in the latter part of the century, and the introduction of a parliament 1901 (see also Svendsen & Svendsen 2004).

In Denmark, the emergence of civic engagement in 19<sup>th</sup> c. ‘era of associations’ (*foreningstiden*) has three characteristics. First, during the first part of the century the large majority of associations were established by peasants. Second, nearly all were financial associations (mostly savings banks and assurance associations), i.e. voluntary cooperation aimed to provide prevalingly private goods. And, third, during the second part of the century the associational model was transformed into a cooperative association model (*andelsforening*), which not only involved private good provision but also public good provision, leading to a general increase in human capital, organizational training, political influence, shared buildings. This process kick-started economic growth in agriculture, and it was greatly beneficial to Danish economy as such.

In sum, the 19<sup>th</sup> c. was a glorious civic century not only in Denmark but in the whole of Scandinavia. A myriad of voluntary associations were established *across* social cleavages, i.e. by people, who formerly did not cooperate, gave rise to concrete trust and provision of private goods, as a means simply to survive. However, from the middle of the century these associations gradually transformed into cooperative associations and, hence, public good provision. As such, the fully voluntary Danish cooperative movement should be seen as an important element in the building of a Danish welfare state after World War II.

In this way, *bridging* social trust was formed. The result was an abundance of associations ranging from farmer’s associations, high school associations, youth associations, free-church associations, gymnastic clubs, rifle clubs, lecture and reading societies, choral societies, temperance societies, political associations, biblical societies, charitable associations, and so on. These economic and cultural, associational activities took place in a large number of local public meeting-places securing regular face-face contact and trust between various groups, such as cooperative dairies, slaughteries, grain/fodder houses and wholesale societies, community high schools, village halls, drill halls, private schools, agricultural colleges and high schools, free churches and so forth (Svendsen & Svendsen 2004).

### 3.6. Phase 6: Universal Welfare State

As has been stated by several scholars (e.g. Knudsen 1995; Rothstein 2005), broad political consensus about codifying social, political and civil rights for *all* citizens seems to lie in the core of the success of the Scandinavian universal welfare states after World War II. In Denmark, for example, old norms of cooperative behavior and mutual trust were reflected in e.g. major social reforms during the 1970s, providing economic security for female single parents, disabled people, disability pensioners, unemployed people not receiving benefits from unemployment funds etc. These laws should be seen as a further formalization and specification of previous codifications of various civil rights in the 19<sup>th</sup> and early 20<sup>th</sup> century, such as those found in e.g. a very liberal Danish Constitution of 1849 introducing voting right, freedom of speech and the right to free assembly, in the first mandatory school system in the world in 1814, the introduction of full citizens' rights for Jews in 1814, a revised Poor Man's Law of 1891, the Law of Sick-Benefit Associations of 1892, the Law of Accident Insurance for Workers of 1899, the introduction of parliamentarism in 1901, the Law of State Approved Unemployment Funds of 1907, the introduction of voting right for women in 1915 and a major social reform of 1933, as a part of the so-called *Kanslergade-forlig* (the Kanslergade agreement) – one of the best examples of Danish political consensus in recent time.

Thus, in Scandinavia generally and in Denmark specifically, an impressive institutionalization process has taken place during the last 1000 years. We suggest that the evolving trust-based trade norms established during Viking Age initiated a social trust enhancing feed-back mechanism culminating in a glorious civic 19<sup>th</sup> century and finding its institutionalized form in the contemporary Scandinavian universal welfare societies.

## 4. Conclusion

The motivation for writing this paper was to trace the roots of social trust in Scandinavia. It is still unclear how the observed high level of social trust in the Scandinavian countries has been generated. Our main finding is that early state building during Viking Age facilitated public good provision and extensive trade. The accumulation of social trust was probably not destroyed through five subsequent phases

of state building. Rather, it was reinforced by being codified in legislature and institutional setups, a process that seemed to culminate in the 19<sup>th</sup> and 20<sup>th</sup> centuries. Long-run political stability arguably allows a self-reinforcing process over time when social trust is codified in legislature and the institutional setup.

Thus history teaches us that efficient enforcement of property rights and the following development of trust-based trust norms in free trade markets are valuable roots of social trust. When group size increases, however, it is first when trust norms are codified in formal institutions that they might be actually capitalized as social trust for a larger population. Hence, nations and regions lacking social trust may seek to identify and cultivate cooperative trust norms in their own history and codify them.

In sum, we tentatively suggest that social trust can be traced back to deep historical origins in Scandinavia. It even seems probable that the necessary efficient state building and evolving trust-based trade norms was founded by the Vikings one thousand years ago. Ever since, valuable norms of cooperation and social trust have been transmitted from generation to generation until today, where they form the moral foundation – the *sine qua non* – of the universal welfare state.

Our suggestion is thought provoking and, maybe also, somewhat speculative. Causality relations are of course not unequivocal and many other explanations should to be taken into consideration, including religion and various institutional designs in the succeeding periods. Concerning formal state institutions, our argument is that they allow social trust within a population to be effectively *capitalized*, that is, turned into high levels of GDP. These institutions also include the sanctioning of free-riders and law-breakers, who cannot be trusted in modern complex societies where people only know a small fraction of their co-citizens. Still, such high-trust countries may gain a competitive advantage by achieving lower transaction costs of supplying public welfare goods resources when a substantial part of the population does not need much monitoring as they are likely not to free-ride and behave in an honest manner. At a more overall level, an important lesson from Viking Age is that these people switched between to strategies: Plundering and state building. As population size increased, the first strategy became unviable, whereas state building – and the concomitant norms supporting it – has been a success ever since. Arguably, many countries other than the Scandinavian countries may trace these two strategies in their histories. Hence, nations



and regions lacking social trust may seek to, actively, identify and cultivate cooperative norms in their own history – by Putnam (1993b) termed “cultural templates” – in order to found just and non-corrupt state institutions *upon* such norms.

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