

FINLAND

Answers to the questionnaire

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1. Hardly anybody in Finland anticipated such a world-wide economic crisis to emerge, although some discussion on the fragility of the foundations of the US economy had been popping up every now and then.

After the crisis emerged, it has partly been construed by the Left Alliance as a crisis of the speculative foundations of world's economy, for which a "post-Keynesian" regulatory approach would be a solution, partly as a crisis stemming from unequal income distribution, i.e. crisis of neoliberal capitalist economy as a whole.

The seriousness of the crisis in Finland has been reduced by the automatic counter-cyclical measures of the social security system, and partly also by active government intervention. Moreover, unlike in the harsh economic depression that hit Finland in the early 90's as a result of expansion in the banking sector, a bubble in the housing market and especially the collapse of export to the Soviet Union, this crisis has not yet had such social consequences that would penetrate the whole social reality. As contrasted to the 90's depression, which was the worst economic shock ever experienced by Finland excluding war-time conditions, public services and social welfare have not been reduced. However, since the municipalities are responsible for arranging most of the public services, including schools, nurseries and health care, it is not clear what the situation in various parts of the country really is. It seems that the government is not resourcing the municipalities to a sufficient extent but, on the other hand, this trend of the government to "externalize" expensive social duties was traceable already before the economic crisis broke out.

The worst effects of the crisis have been geographically local like closing of factories in small industrial towns – perhaps in the sense of Schumpeter's creative destruction which was about to come sooner or later anyway under the conditions of free trade and capitalist world-economy. Poverty has increased, the bread lines are longer¹ and groups of people that used to just about get by are no longer getting by, but vast majority of the working people are still doing relatively well. This is also reflected in the consumer survey results, in which people's expectations about their own economic future are on a relatively optimistic level. However, the unemployment of people under the age of 25 has exceeded 20 %. There is a worry that a generation of young people will not get their adult lives properly started at all and will sooner or later become outcasts in the labour market.

However, if the recession is prolonged or if a second wave of economic downturns hits the world economy, the consequences in Finland are bound to be more serious since the duration earnings-based employment benefits will last about two years. After that period, a massive number of unemployed people will fall back to the minimum social welfare, which is well below poverty line.

Since the Finnish economy was in a good shape before the crisis, having a budget surplus and indebtedness level some 34 % of the GDP, and a significantly higher growth rate than in EU15, it was in a more fortunate situation than many European countries. The GDP of Finland dropped with more than 7 % in GDP in 2009, whereas the unemployment rate increased only with some 3 % to

¹ Finland is the only Nordic country where there are people dependent on charity-based food deliveries.

9.5 %. Being an open economy with export comprising 45 % of the GDP, Finland has been closely tied with the upturns and downturns of the world economy. Some voices have been raised that in the future Finland should favour more domestic demand instead of relying so heavily on export industry, but the big corporatist institutions (i.e., trade unions and employers) together with the National Coalition Party (i.e., the conservatives), still mainly support big-scale export branches instead of the domestic service sector. One testimony of this is the urge to build three new nuclear power plants to Finland in addition to the existing ones and the one which is currently under construction, and whose schedule and cost-estimate have both been significantly exceeded.

2. The Left in Finland (the Social Democrats and the Left Alliance, both presently in the opposition) have been rather traditional in their responses to the crisis. More active counter-cyclical policy and more stimulus packages together with improvements in the welfare benefits of the unemployed have been demanded. The importance of active employment measures, especially targeted to rapidly increasing youth employment has been emphasized. It is recognized at least among the Left Alliance that worldwide economic structures lie in the background of this crisis, but no systematic and consistent alternative economic arrangement has been proposed. Sometimes even such psychological terms as “greed” have been used as explanation of the economic collapse, whereas the real systemic causes have received little attention. Nationalisation of the banking sector has not been suggested by the left, but the chairperson of the Left Alliance, Mr. Paavo Arhinmäki has introduced an idea of the “people’s bank”, an institution with no requirement to make significant profit but instead a requirement to act according to the customers’ interests. The details of this bank, however, are completely open; one has to answer questions like how to choose customers if the interest rates are to be lower than in other banks since otherwise the activity would lead into big financial risks without the corresponding risk premiums in the interest rates. Moreover, is it really good to support people by enhancing the possibilities to obtain credit or would this rather mean replicating the risk of low-income mortgage market which triggered the current crisis?

As the indebtedness rate of Finland is increasing together with the mass retirement of the so-called “big generations” born in the latter part of 40’s, there is new discussion about the possibility of the economy to cope with the challenges. The left has, together with the trade unions, systematically opposed the plans to shift the earliest retirement age later.

The Ministry of Finance has recently expressed the view that the gross government debt should be confined to 60 % of the GDP, which is set by the Stability and Growth Pact of the European Union. This figure is remarkably low considering that the average public debt-to-GDP ratio of the EU is expected to rise to 79 % in 2010.

A realistic and appealing survival strategy for the country seems to be lacking in the public discussion. The left has not presented its economic vision for the future, except that tax increases for the well-income people are necessary. However, the tax revenue cannot depend only on capital income -- the bulk must come from the wage-based income tax and indirect taxation such as the value added tax, consumption taxes and environmental taxes. So far the Left Alliance has been against environmental consumption taxes, so the only alternative seems to be tightening the income tax not only for the well-income people but also for the mid-income earnings group.

Since among the Social Democrats, there is significant sympathy for subsidizing the export industry with cheap energy and the Left Alliance is radically against nuclear power, there is no unanimous left entrepreneurship policy. The Left Alliance should formulate its concept toward the future of Finland in the party congress of June 2010, and the same goes for the Social Democrats in their party congress around the same time, but it is still unclear what kind of vision the Left Alliance and

the Social Democrats will present for pulling Finland out of the recession and what kind of viable and ecologically sustainable left economic policy can be promoted.

Many of the measures listed in the Transform questionnaire have not been proposed by the left parties. For example, going against the Lisbon strategy or changing the rules of the ECB are considered radical and even extreme measures in the Finnish political climate and presenting such views would require careful planning and timing. If political agents in a small country require big reforms on the international level, the demands may easily be condemned as unrealistic. All in all, there is not overwhelmingly much discussion about the EU and its role in the crisis.

Moreover, when it comes to other measures mentioned in the form, things like substantial increases of wages could mean more bankrupt companies at least in a small open economy; it would thus be rather brave to propose such measures.

Neither of the left parties has significantly contributed to the analysis of the crisis. Accordingly, the political proposals are not stemming from a deeper understanding of the capitalist economy, but from the traditional conviction according to which the “big money” is bad and plays a harmful role in people’s lives.

The balance of social and political forces in the country has altered to some extent, the political centre being slightly more to the left than before. However, the neoliberal agenda has not stopped and is in many respects pursued as before, like the so-called “productivity plan” of the public sector, meaning in effect reducing the personnel of the public sector, or the privatization of public universities.

3. The answer to the questions in this part of the form can largely be detected from the previous section. The Finnish left is more traditionally Keynesian in its political rhetoric than visionary toward an alternative world economic system. Theoretical concepts like counter-hegemony do not exist in political discussion of the left; the whole spectrum of daily politics in Finland is characterized by pragmatism on the one hand, and rather strict implicit rules on what is conceived realistic (i.e., one could talk about a neoliberal hegemony). However, as the Left Alliance got a new chairperson in last June as the previous one resigned after the disastrous Euro-elections (see section 3 below), it remains to be seen whether a new political style will emerge in the party. There are some signs indicating this development, but at the same time, the old party conventions and conceptions seem to dominate over the will to redesign the basic concepts of the left. The party conference of the Left Alliance to be held in the coming June will be rather decisive with respect of the future prospects of the party.

The anti-immigrant and populist right party True Finns has been able to channel people’s feelings of disillusionment and discontent to growing support, gaining 9.8 % of the votes (increase of 9.3 %) in the last European elections. However, it is not clear that it is precisely this economic crisis that has triggered the rise of the populist right, although it is certainly a plausible hypothesis that there is some correlation. In the same elections, the Left Alliance got 5.9 % of the votes, thus losing 3.2 %, and the Social Democrats 17.5 %, meaning a defeat by 3.7 %. These elections were the first ones under which the full force of the crisis had been experienced -- and the left got the worst result in any elections ever, with altogether only 23.4 % of the votes, although one must observe that at the same time the Greens achieved 12.4 % of the votes, meaning a gain of 2 % (see section 4 below).

4. The political division line in Finland does not clearly go between the so-called left parties and right parties. Coalition governments between the left and the right are a rule in Finland, the left

having a majority in the Parliament only three times in history. In practice, the Social Democratic Party could even be characterized as a centre-right party, having been responsible for significant cuts in the welfare state during the reign of the governments of the social democratic prime minister Paavo Lipponen in 1995-2003. It is symptomatic that the Social Democrats themselves rarely use the word “left” any longer in publicity. A recent example of the centre-right pragmatism of the Social Democrats is manifested by the university reform pushed through by the government: only the Left Alliance voted against the reform in the decisive plenary session of the Parliament.

Although the Greens are in the current centre-right government, the value-set of the average voter of the party closely resembles that of the Left Alliance, whereas the three big parties, the Centre Party, the National Coalition Party and the Social Democratic Party rely on a more conservative part of the electorate.

Especially in questions like the basic social security, the Left Alliance, the Greens and the Centre Party form one block whereas the National Coalition Party and the Social Democrats another one, the latter two emphasizing the role of the earnings-based social security system and the former three being in favour of more universal arrangements. However, the trade unionist block inside the Left Alliance tends to be closer to the Social Democrats in this respect.

The nature of the debate between the opposition and the government has not essentially changed after the emergence of the crisis. However, the political system has undergone a heated debate about political corruption, where especially the public image of the Centre Party and prime minister Matti Vanhanen have suffered significantly. This issue has no immediate connection to the crisis but is rather a manifestation of even deeper problems in the whole political system.

There are not many protectionist proposals on the political agenda in the true sense of the word, although the trade unions insist on similar salary rates and work conditions for everyone working in Finland. Finland is a small trading nation and it is usually held that protectionist measures would be responded by similar ones abroad, which would eventually harm Finland’s export industry. However, the True Finns have put forward the idea that public acquisitions should be concentrated only to domestic enterprises.

No relevant political force in Finland – not even the True Finns – has put forward the idea of disembarking the Euro currency. Although the wood-processing industry and perhaps metal industry would benefit from the devaluation of the currency, the long term harms of quitting the Euro are considered to overbalance the short-term advantages.