Scandinavian Journal of History
Publication details, including instructions for authors and subscription information: 
http://www.tandfonline.com/loi/shis20

The Nordic Welfare State in Finland
Pauli Kettunen
Available online: 06 Nov 2010

To cite this article: Pauli Kettunen (2001): The Nordic Welfare State in Finland, Scandinavian Journal of History, 26:3, 225-247
To link to this article: http://dx.doi.org/10.1080/034687501750303864

PLEASE SCROLL DOWN FOR ARTICLE

Full terms and conditions of use: http://www.tandfonline.com/page/terms-and-conditions

This article may be used for research, teaching, and private study purposes. Any substantial or systematic reproduction, redistribution, reselling, loan, sub-licensing, systematic supply, or distribution in any form to anyone is expressly forbidden.

The publisher does not give any warranty express or implied or make any representation that the contents will be complete or accurate or up to date. The accuracy of any instructions, formulae, and drug doses should be independently verified with primary sources. The publisher shall not be liable for any loss, actions, claims, proceedings, demand, or costs or damages whatsoever or howsoever caused arising directly or indirectly in connection with or arising out of the use of this material.
1. Two variants of reductionism

Historical overviews of the development of the welfare state tend to be fixated on various forms of reductionism. Two variants merit particular attention here. The older, functionalistic one derives social reforms and regulations from the needs or problems of industrial modernization, and is tightly committed to modernization as the horizon of expectation. The newer variant also associates the welfare state with modernization, but takes a critical distance from this framework by discussing the welfare state as a “project” of modernity, often pointing out the confidence in scientific social knowledge and rationalization as a basic characteristic of this project. Both approaches result in linear images of continuity. True, the latter variant questions the present and future continuity of this project, yet through the very emphasis on a current epochal transition, a linear image of the past tends to be accentuated.

Finland seems to be a good case for criticizing these two types of reductionism in historical welfare state overviews. In a particular fashion, both of them have been actualized, as Finland has been assessed as a “Nordic welfare state”, or, to be more exact, as an (or the) exception among the Nordic welfare states.

Apparently, it has been easy to find evidence of Finland being the Nordic latecomer in welfare state development as well as to give plausible explanations for this phenomenon. An easy explanation has followed the functionalistic line, referring to the fact that in Finland, even in intra-Nordic comparison, industrial take-off occurred late and the social structure long remained predominantly agrarian and rural. Another line of argumentation has focused on showing that the welfare state as a project has been politically and ideologically weaker in Finland than, especially, in Sweden, owing to particular features of the Finnish political

---


Address: Department of Social Science History, P.O. Box 54, FIN-00014 University of Helsinki, Finland. E-mail: pauli.kettunen@helsinki.fi

---

1 As a classification of such overviews, see e.g. C. Pierson, Beyond the Welfare State? The New Political Economy of Welfare. 2nd ed. (Cambridge, 1998), pp. 6–37.
history. Thus, the Civil War of 1918 has been mentioned, with good reason, as a factor that contributed to the relative weakness of Social Democracy, the political force frequently associated or even identified with the (Nordic) welfare state project. It has also been quite usual to combine factors stemming from economic and social structures and political experiences and to point out that in Finland, the widening of the rural class of independent small-size farmers remained, until the 1950s, a major project for social and political integration, and that the Agrarian Party (since 1965, the Centre Party), in itself a typical Nordic phenomenon, has preserved a crucial role in the political system much longer than in the other Nordic countries.

Some economists and sociologists have concluded that, in Finland, social policies have been more subordinated than in the other Nordic countries to what is conceived of as national economic necessities. The wood-processing industry, because of its role as the dominant export industry and its being a crucial linkage between the agricultural and industrial sectors (through peasant-owned forests and the seasonal demand for labour power in logging), gained the hegemonic power of presenting its particular interests – international competitiveness – as the general national interest. At the same time, as these economists and sociologists also note, national economy has been appraised by applying the “health” of state economy as a central criterion, whereas the idea of state economy being the means for national economic steering has been weaker in Finland than, especially, in Sweden.  

In the end, Finland somehow looks incomplete from the point of view that conceives of the (Nordic) welfare state as a project. This impression is perhaps reinforced by the observation that in Finland, the great expansion of social security benefits and public services occurred after the welfare state had been declared to be in crisis, i.e. after the early 1970s. A functionalist explanation could readily associate this observation with a more general characteristic of modernization in Finland. Even more typically than in other Nordic countries, transformations have started late but then gathered momentum. This was true, in particular, for the transition of the dominantly rural society of 1950 into an urbanized wage-work society of 1980, with public and private services as the dominant sector of employment.

However, instead of presenting Finland as an exotic exception, I suggest that a deconstruction of the easy interpretations of Finnish uniqueness may have general implications for historical welfare state research. I have to ignore some important implications concerning the settings of comparative research. These would include, for example, the fact that the case of Finland helps to point out that the international context for a historical and comparative research into the Nordic welfare states should even comprise those agrarian societies that were politically shaped through the collapse or modification of the European Empires during and after World War I. Here, however, I focus on the opportunities for the critique of reductionism in light of this particular national case.

As to a critique of functionalistic reductionism, I question the commonplace tendency – particularly evident in comparative research – of constructing the

---


Scand. J. History 26
welfare state development on the chronology of legislative reforms in social security and public services. First, I argue for the importance of the relationships between discourses and institutions, notably their temporal incongruity, which has been a structural phenomenon in a small peripheral country such as Finland. Secondly, I attempt to dismantle and liberate the politics inherent in social political decisions. This attempt includes a critique of the way that functionalist social policy overviews tend to bypass the – often very long – political processes before a reform.

The functionalist social scientists as well as political historians also tend to ignore the political dimension in everything that happens after the reform, in the encounters of social policy practices and people’s everyday life. This critique does not apply to the approaches, in which the welfare state has been defined as a project of modernity. From such a perspective, encounters of the governmental power/knowledge and the people shaping their own lives have often been recognized and analysed as a crucial problem. The idea of the welfare state as a project may even have further benefits, not least for the understanding of the long history of the “crisis of the welfare state”. Thus, a reasonable account of the “crisis” might conclude that the project of welfare state lost much of its future-orientating power long before the end of the actual expansion of the welfare state.

However, the very notion of project is problematic. The term “project” can no doubt vary in meaning, but in any case, this concept implies the central role of a Plan in the making of the welfare state. On closer historical investigation, however, many long-term decisions actually prove to have been outcomes of complex struggles and short-term compromises between conflicting interests. The relationships between planning (knowledge) and conflicts and compromises (interests) have changed and varied, and are, consequently, an important problem for historical welfare state research. In its concrete forms, this problem includes changes in what is meant by class, gender and generation in the political processes that have shaped the welfare state as well as been shaped by the modes in which the welfare state has restructured social reality and, for example, the spatial, temporal and gender-related dispositions of life.

Another problematic implication of “project” concerns the understanding of the agents of social security. In the Nordic context, in particular, the notion of welfare state as project has been associated with the emphasis on the strong state as a Nordic specificity. Several modifications can be identified, ranging from the image of an all-embracing patronizing state to the thesis on “statist individualism”, according to which the strong Nordic state is orientated to secure and widen the resources for individual autonomy. In both cases, nevertheless, the state seems to push families, employers, parishes and voluntary organizations aside from the production of social security and subordinates the local communes (municipalities) by assigning to them...

---


an instrumental role in policy implementation. On closer examination, however, a wide array of (collective) actors appears as a rather permanent phenomenon. They have diverged on dimensions of public–private, official– unofficial, obligatory– voluntary, secular–religious, national–local, general–particular, and so on. For historical comparison between different “models”, a major problem should be the analysis of the varying relationships between different actors rather than the classification of the models by naming one dominant actor or sphere in welfare production (e.g. state, markets, civil society, or family) in each of them. Correspondingly, the changes characterized as the crisis or end of the (Nordic) welfare state project seem to be a matter of new tensions and rivalry between different types of actors rather than an emergence of non-state activities as a great novelty.5

To sum up, the topics I wish to raise as a critique of reductionism include: the relationships between discourses and institutions; the political processes before and after a legislative social reform; the tension between planning and compromise; and the relationships between the state and non-state actors. I try to show the relevance of these topics by means of some concrete issues of the Finnish welfare state history. The first issue is the role of international and, especially, Nordic contexts and comparisons in the development of Finnish social policies. Secondly, I will illuminate the significance of political contingency by means of a case that has been frequently referred to as an indicator of Finland the latecomer: the late introduction of compulsory sickness insurance. My third problem concerns the tension between the planning expertise and interest conflicts and compromises in social political decision-making and in self-definitions of social policies. Fourthly, I take up the relationship between the two institutional aspects often associated with “the Nordic model”: the welfare state with a strong emphasis on universal social rights inherent in citizenship and the regulation of working life issues through autonomous collective agreements between employer and employee organizations.

2. The notion of Finland the latecomer

As the older discussion on the crisis of welfare state was, since the late 1980s, intertwined with the debate on globalization, a popular view arose which associates the welfare state with a past world of sheltered national societies. These societies are supposed to have developed primarily on the basis of their endogenous needs and possibilities. This view offers a poor point of departure for a historical understanding of the Nordic welfare states. Denmark, Finland, Iceland, Norway and Sweden were among those small European countries with relatively open economies and high dependencies on the fluctuations of the international economy in which, on this very basis, national social regulations were developed in terms of “democratic corporatism”.6

5 See, for example, K. Stenius, Privat och offentligt i svensk alkoholistvård. Arbetsfördelning, samverkan och styrening under 1900-talet (Lund, 1999).
The relationships between the national–international and social–economic dimensions have been a topic of discussion since the early 19th century, as the history of international social policies indicates. The first conclusion was that the international economic competition included obstacles to national social policies. Alternatively, however, it could be seen as the point of departure for international social regulations. Even a third argument appeared early on in the discussion, pointing out that social regulations such as shorter working hours would, in fact, function as a national advantage in international economic competition, while increasing productivity and quality of labour. The priority of the second argument over the first one was the core message of the foundation of the International Labour Organization (ILO) in 1919. Since the Great Depression of the early 1930s and, in a still more programmatic way, after World War II, a combination of the second and third arguments gained the central part in the ideology of the ILO. Instead of supranational social regulations, the main role of the ILO proved to be that of promoting a model of national society, in which the objectives of social equality and security and of economic effectiveness, competitiveness and growth were supposed cumulatively to support each other.7

This argumentation was perfectly compatible with the ideology of a virtuous circle that had been institutionalized in the Scandinavian class compromises of the 1930s, i.e. in the political coalitions of workers and farmers, or the Social Democrats and the Agrarian Parties, respectively, and in the consolidation of the practice of collective negotiations and agreements on industrial labour markets. As the virtuous circle between social regulation and economic success within a national society was provided with the charge of universal validity (e.g. in the Philadelphia Declaration of the ILO, 1944), during the Cold War this charge was easily transmitted into the notions of Scandinavia, especially Sweden, as the representative of the “Third Way” between American capitalism and Soviet communism.

The conclusion that all five Nordic countries shared a particularly strong trust in the harmony between the objectives of social equality, political democracy and economic prosperity was expressed in manifestations of the Nordic cooperation as early as in the late 1930s.8 This trust in the “Welfare Planning by Consent” was associated with the metaphor of “the Middle Way”, for example, in a book that informed non-Nordic audiences about the Nordic social achievements and was published by the five Ministries of Social Affairs in the early 1950s.9

However, Finnish researchers have pointed out Finnish specificities in this respect. In Finland, the Great Depression of the 1930s did not result in an active

8 The Northern Countries in World Economy. Denmark – Finland – Iceland – Norway – Sweden. Published by the Delegations for the Promotion of Economic Co-operation between the Northern Countries (Otava, 1937), pp. 6–9.
adoption of new contra-cycle economic political views as it did in Sweden, Denmark and Norway, an obvious difference regardless of the fact that even in Sweden, the practical significance of the new lessons in the 1930s – especially of the “new employment policies” – was limited. The coalition government of the Social Democrats and the Agrarian Party in Finland since 1937 did not represent conclusions from the Depression to the same degree as did the corresponding previous solutions in other Nordic countries.\(^{10}\) Nor did this Finnish “Red Earth” government prove to be a similar step for the Social Democrats to the position of the dominant political power, although the position of the Finnish Social Democrats in the political system of the late 1930s might appear as rather Scandinavian, even in terms of their electoral support. One element of the Scandinavian class compromises was strikingly absent in the Finland of the 1930s. The Finnish employers, especially the enterprises of manufacturing industries, were until World War II able to adhere to the policy of refusing collective agreements with trade unions. While Sweden, Denmark and Norway as early as in the 1930s were at the top in the international statistics of unionization, Finland was, in Europe, one of the countries at the bottom.\(^{11}\)

In addition to the class compromises and the new confidence in a positive-sum-game, the orientation known as “social rationalization” or “social engineering” has often been referred to as a Scandinavian novelty of the 1930s.\(^{12}\) As far as this orientation appeared in Finland, the role of Social Democracy was not comparable with its agency in, especially, Sweden. The Depression, associated with a wave of right-wing politics, contributed to the rationalized treatment of poverty and the poor in the spirit of preventive criminal law, including a more systematic social categorization and intensified and centralized social control. These were crucial features in the new acts of social care in the mid-1930s (concerning children in need of protection, vagrancy, and alcoholics) as well as in the related Act on Sterilization, 1935, the latter being, in itself, far from exceptional in the Nordic context.\(^{13}\) In another way, the objectives of economic and technological rationalization, social and political integration, and the making of self-disciplined subjects were intertwined in the development of labour protection. Here, the American ideology of Safety First, with its connections to scientific management, had a remarkable influence in Finland, as elsewhere in Europe in the 1920s and 1930s, not only on the safety

---


activities of enterprises, but also on the practice of factory inspection. In Finland, as elsewhere, the leaders of the labour movement shared the mode of thought that can be called the ideology of rationalization. However, the role of the labour movement was rather marginal in defining the agenda; there did not exist preconditions for active visions of social engineering à la the Myrdals.

The idea of society as a functional whole that must and can be steered and rationalized by means of scientific knowledge was strengthened during World War II. At the same time, this thought was tightly combined with the notion of national necessities to be fulfilled and taken into consideration in all activities. After the war, the notion of national necessities clearly became a matter of political controversy. Yet even the Communists, rising from their previous illegality to a major political force, shared much of this mode of thought, not least due to their view according to which the reparations to the Soviet Union – a crucial economic necessity in Finland until the early 1950s – were an antifascist and democratic national duty.

As the economist Matti Pohjola has argued, in the early 1950s a national strategy of prosperity was widely and in a permanent way adopted which was based on a high rate of investments and on the hope and assumption that sacrifices in the form of a more moderate growth of consumption would result in general prosperity in the future. Hence, the mode of thought and action was reinforced in which social policies have been assessed from the point of view of the limits of economic resources.

However, this was not the way Pekka Kuusi, a social scientist with Social Democratic sympathies, conceived of social policies in his book 60-luvun sosiaalipolitiikka (“Social Policy for the 60s”) published in 1961, later translated into English (1964) and, in an abridged version, into Swedish (1966). Kuusi’s book, “perhaps the most influential social science study ever published in Finland,” was a design for the Finnish welfare state – “a plan for Finland” as one could read in the subtitle of the English edition. In the spirit of Gunnar Myrdal and others, Kuusi manifested his strong confidence in virtuous circles within the modern society: “In the contemporary society, democracy, social equality and economic growth seem to be interdependent in a fortunate way.” It was within this society of virtuous circle that the social policy had to play its crucial role. In Kuusi’s “growth-oriented society”, the “social” no longer represented a counter-principle to the “economic”.

Nevertheless, there was strong emphasis on national necessities even in Kuusi’s argumentation. The necessities derived from the place of Finland in the world of

international competition between societies. Finland was situated between two highly dynamic and growth-oriented societies: Sweden and the Soviet Union. The mission Kuusi formulated was indeed fatalistic and vital: if we want to survive between these two societies, “we are doomed to grow”.^19^ Kuusi was not advocating any third way between the societal systems of Sweden and the Soviet Union. His argument was to some extent an example of the tendency to avoid any explicit association of Finnish social policies with the Cold War confrontation. In reality, this confrontation was a significant factor behind social political considerations; in particular, the relatively strong support of Communism was a major concern for all those who relied on social policies as a means of social integration. However, while the Swedes, especially the Swedish Social Democrats, declared that they represented the Third Way between Capitalism and Communism, in Finland the dominant strategy was, in turn, to depoliticize social policies. Thus, social reforms were discussed as functional needs, pragmatic steps along the road of general progress within the limits of economic resources, or as issues of pragmatic adjustment of conflicting interests in the name of the common national interest. In Kuusi’s book, the tone was different; the programme for Finnish social policies was located in the context of nothing less than the world history. However, this meant that it was located in the sphere above – or beneath – the political confrontations between societal systems, in which the basic process was the evolution and growth of industrial society, Sweden and the Soviet Union exemplifying such a society.

This implicit convergence ideology had obvious advantages for the national(ist) legitimization of social policies in the era of the Cold War. Yet it bore a long continuity concerning the international contextualizing and comparison as an aspect of Finnish social policies.

In the late 19th century, two related transformations had largely achieved the status of representing universal principles of change: modernization and the development of the nation-state. In Finland, the relationships between these two processes were shaped by the mode of thought and action that could be called an eclectic avant-gardism of the educated elite in a peripheral country. The dichotomy of centre and periphery was consciously – although without using these words – adopted in the strategy of the Finnish educated elite during the last decades of the 19th century. It was assumed to be possible and necessary for the elite of a peripheral country – and later also for popular movements like the labour movement – to develop their social and political thought on the basis of knowledge about the most advanced societies. Social problems should be anticipated by keeping an eye on experiences in those societies, and solutions had to be adopted and developed in advance by learning from mistakes made elsewhere.\^20^ This mode of thought resulted in contradictory tendencies: either in emphasizing the backwardness of the Finnish society or in overestimating the speed of its modernization. The latter used to be the case, e.g. in the social analyses of Socialist labour leaders. As the anticipated future was projected onto the prevailing

---

^19^ Ibid., p. 34.
circumstances, the image of present society, with concentrated and centralized capital, a wide and homogeneous industrial working class and developed wage-work relationships, tended to remain rather distant from the lived experiences of people, although this tension did not hinder the rise of a strong labour movement in one of the most agrarian and rural countries in Europe.

An important outcome of this logic was the long temporal distance between the first definitions of a problem and the solution, and the concomitant practical consequences and applications. This was not just a time-lag between discourses and institutions, but also an issue of discursive breaks. Most notable are the cases in which a theme was introduced in social political debate with little or no reference to the lively discussion on the very same topic, say, 20 years earlier. This phenomenon has been noticed, for example, in studies on “industrial democracy” as well as on the regulation of unemployment. As Jorma Kalela has argued, such ways of defining the relationships of employment and income that were widely adopted in administrative and political discussion on unemployment around 1910 were next time actualized in the so-called post-war planning during and after World War II, but did not turn into institutional practice earlier than in the 1970s.

However, the idea of anticipating social policies as a conscious part of nation-building had, in the late 19th and early 20th centuries, not only discursive but also institutional implications. In fact, several acts concerning labour protection, labour relations and unemployment were accepted before World War I in Parliament (Eduskunta) that, after the reform of 1906, were based on a general franchise, which even included women. As the legislative power of Parliament was, however, restricted by the authorities of the Grand Duke of Finland, the Russian Emperor, only few of its social political decisions were actually implemented. Nevertheless, as early as in the 1880s and 1890s, the time of the old representative system of Estates and no labour movement proper, two acts of principal importance were adopted, i.e. the Act on the Protection of Industrial Workers, founding the institution of factory inspection (1889) as well as the Workers’ Compensation Act (1895). As to the statutory regulation of industrial work, Finland was not among the last countries on the international scale. Of the Nordic countries, only Denmark adopted the practice of factory inspection before Finland, in 1873. In Sweden, legislation concerning this institution was passed in the same year as in Finland, in 1889, and in Norway in 1892. The particular female factory inspection was launched in Finland in 1903, ten years earlier than in Sweden. Norway was the first Nordic country to pass a Workers’ Compensation Act in 1894, one year before Finland. Denmark passed this law in 1898 and Sweden as late as 1901.

By the late 19th century, it was evident that Norden already played a role in Finland as a framework of international comparison, communication and cooperation in various fields of social knowledge, and the term “Nordic” became an ingredient of Finnish national identity. However, it was only later, in the 1930s,
that this attribute was seen as representing something like the future code and normative standard of the Finnish society. This happened at the same time as Sweden, in the Finnish thought, gradually attained the status of being a representative of the centre of modernization. The notion of Finland as a “Nordic society” became a matter of political concern, not only because of the debate concerning the status of the Swedish language in Finland, but, even more so, because a charge from the confrontation of the Civil War of 1918 became inherent in this attribute. In the White heritage of the Civil War, “Nordic” was associated with the idealized tradition of the free Nordic peasant and local community, whereas for the Social Democrats, “Nordic” began to represent democracy in contrast to authoritarian regimes and, especially in the 1930s, in contrast to the prevailing state of industrial relations in Finland. Finland was a Nordic society, yet did not fulfil the democratic criteria inherent in the term “Nordic”. The concept of ‘Nordic democracy’, as it was defined in the cooperation of the Nordic Social Democrats in the late 1930s, included a combination of parliamentary political democracy and institutions of collective negotiation and agreement on labour markets.

During the Cold War, “Nordic democracy” or “Nordic society” in the Finnish political discourse implied an announcement that Finland did not belong to the Eastern Bloc. Nevertheless, among the Social Democrats, in particular, these expressions also indicated a way of thinking in which progress was an inherent property of society, and the code of progress inherent in the Finnish society could be recognized by turning the gaze to Scandinavia, especially to Sweden. Furthermore, the limits of Nordic cooperation at the level of “high politics”, notably security policies, did not hinder the widening of practical communication among all sorts of public authorities and voluntary organizations. The standardization of social knowledge, e.g. in the form of Nordic social statistics since 1946, contributed to continuous comparisons as political and administrative practice, which included not only the harmonizing of institutions, but also the identifying of differences.

The notion of Finland, the latecomer, served as an argument for social reform demands, but a conservative variant was influential, as well. According to the latter, the Finns with their lower stage of economic development had to wait and see how the reform in question would work in Sweden. This thought existed despite the fact that hundreds of thousands of Finns emigrated to Sweden in the post-war period, especially in the 1960s, thus making the juridically common Nordic labour market (since 1954) a social reality. In any case, the Nordic framework not only gave impetus to the political will, but also to functionalistic views on social policies.

---

3. Political contingency of social policies

In an attempt to dismantle the politics of social policies, various aspects can be pointed out. One is political contingency, so obvious in several turns of the Finnish social policies. The history of sickness insurance is a case in point.

The late adoption of public sickness insurance has been presented as a major indicator of Finland the latecomer in Norden and Europe. In the 1950s workers’ accident insurance was almost the only legislative social insurance that fitted into the framework of the [Nordic] model. Child allowances were also introduced [in 1948]. A universal unemployment benefit was rejected on economic and moralistic grounds and the unemployed instead assigned to badly paid public work projects (the so-called spade-line). The old-age insurance legislated in 1937 was not intended to become effective for a long time, and public sickness insurance plans were not adopted until the 1960s. Indeed, the Sickness Insurance Act was passed only in 1963. However, this topic had been scrutinized in official commissions since the 1880s, the first legislative regulation being the act on voluntary sickness funds in 1897. Moreover, the passing of a Sickness Insurance Act proper had been more than probable in the late 1920s.

In December 1926, a Social Democratic minority government was formed, an ambiguous phenomenon in the political system that had been shaped after the victory of the White counter-revolution in 1918. It stayed in power until December 1927. In social policies, sickness insurance for wage-workers was the government’s main objective and was even supported by reform-minded liberals. The Sickness Insurance Act was in fact accepted by Parliament in 1927. However, as the Finnish political procedure provided the minority with remarkable means against the threat of simple majority decisions, the opponents of the act were able to postpone the final decision over the next parliamentary election. This minority comprised the Agrarian Party, which disliked social benefits targeted to wage-workers only, and preferred old-age and disability insurance to sickness insurance, as well as right-wing representatives whose sympathies lay with employer interests.

The final decision was made in 1929, the initial phase of the Depression and the time of the rising right-wing advocacy of “the White heritage” of 1918 against the “sicknesses” of parliamentary democracy. The power of the Agrarian Party in Parliament was now somewhat stronger than in 1927, and the attitudes towards social reforms had been hardened among the right-wing groups. However, these changes would not have been enough to run the reform aground. One further change was required, a change in the views of the Communists. Although the Communist Party of Finland had been made illegal up until 1944 and its leaders (the former leaders of the Red Government of 1918) lived in the Soviet Union, the Communists had, until 1930, the opportunity to act in public labour organizations (most notably in the trade union movement, in which they had the leading position in the 1920s) and even in Parliament. In 1928–1929, the Communist

---

revised its political line in accordance with its forecast concerning the decisive revolutionary turn of the general crisis of capitalism and, for instance, adopted the thesis on the Social Democracy as Social Fascism. The practical implementation of the sharpened tactics was far from easy and unanimous among those Finnish Communists who worked in public organizations. The advocates of the new tactics could, however, record some practical successes. One with remarkable long-term effects was that the Communists joined the opponents of the Sickness Insurance Act and, consequently, gave in Parliament the decisive votes that caused the Act to fall.  

This did not prevent the other opposing groups from intensifying their anti-Communist efforts, which in the following year resulted in the exclusion of the Communists from the public political arena.

Social insurance returned on the political agenda in the mid-1930s, and the priority of old-age- and disability insurance was now obvious. The organized employers, for their part, adopted this view. Would they be obliged to approve some new form of social insurance, be it then the old-age- and disability insurance. The old-age and disability insurance scheme was legislated in 1937 after compromises between the new coalition partners, the Social Democrats and the Agrarian Party, but the bill had been prepared, in fact, by a previous government that had had close connections with business life. In principle, the act covered the whole population, “which reflected the peasant inheritance and the backward rural structure of the Finnish society in the 1930s, as did the first pension acts in the other Scandinavian countries”. In practice, however, the first old-age pensions were paid out as late as 1949, and in the early 1950s, only 14% of the Finnish elderly were entitled to old-age benefits.

Even in Finland, the vision of a comprehensive social insurance system was included in the so-called post-war planning, yet the pragmatic idea of proceeding step-by-step within the limits of economic possibilities was widely adopted. The Social Insurance Commission was appointed in 1945 by the coalition government between the Social Democrats, Communists and Agrarian Party, three parties with almost equal electoral support. Until 1954, the Commission was active in planning schemes for different sectors of social security and trying to establish priorities, making use of international, especially Nordic, comparisons and taking into consideration such international norms as those included in the ILO convention on the minimum standards of social security (1952). Sickness insurance was, again, the first priority of the Social Democrats, whereas the Agrarian Party together with the Communists (who had wide support among small-size farmers and rural workers) preferred the reform of the old-age and disability pension scheme. This time, as in the 1930s, the latter line was followed, and it resulted in the profoundly revised national pension scheme. The National Pension Act of 1956 instituted unconditional flat-rate benefits combined with an income-tested assistance amount.

---

29 The Reports of the Commission: Komiteannettu Mon 1947:1 (general principles); 1948:9 (maternity leave); Mon. 1949:23 (sickness insurance); 1953:B:17 (employment insurance); 1954:8 (pensions).
The Social Democratic demands for income-related supplements to basic pensions were rejected.

However, the **private sector supplementary pension act** was passed in 1961 on the basis of demands by blue-collar as well as white-collar trade unions and negotiations between labour-market organizations. An important contributory factor was that as the notion of “wage-earner” as the general attribute for blue-collar and white-collar workers and civil servants was developed in the 1950s, civil servants’ old privilege of income-related pensions appeared more and more intolerable as did the various enterprise-level private pension schemes for white-collar employees. The crucial point of departure for the creation of an income-related pension scheme was, however, the discontent of the representatives of wage-earner interests with the national pension scheme of 1956; this was seen as an income transfer in favour of agrarian people. For the law to be passed, it was clear that a compromise was needed that would make it possible even for the Agrarian Party to vote for it. However, the political defeat of the party in this case was expressed not least by the fact that the new legislation was passed during a minority government of the Agrarian Party on the basis of a Social Democratic motion. In any case, the Finnish pension system was constructed in the form of two separate schemes, both having their own administration. Its difference from the united Swedish system – which only the Communists advocated in Finland in 1961 – was still more striking, as the administration of the private sector supplementary pensions became a function of private insurance companies. This arrangement was an active contribution of the Finnish employers to the new scheme and guaranteed their support, together with the principle that the proportion of the contributions that is not paid out as pensions is loaned back to business, at favourable terms. Information and advice from the Swedish employers, dissatisfied with their own system, played an influential role in the policy of the Finnish employers.\(^\text{30}\)

Finally, even the **Sickness Insurance Act** was passed, in 1963. One of the factors urging the reform was the Nordic convention on social security (1956), a social regulation of the common Nordic labour market. However, at the beginning of the 1960s, sickness insurance no longer bore the label of a Social Democratic project. As a matter of fact, it was generally impossible to identify any coherent Social Democratic view at that time, because the internal conflicts among the Social Democrats, associated with tensions between the party and trade unions, later even with the relationships between the Social Democrats and the Communists, had resulted in the organizational splitting of the political as well as trade union movement at the end of the 1950s, and solutions to this muddle had to be awaited until the late 1960s. Concerning sickness insurance, the benefits, financing and organization were shaped in accordance with the principles represented by the Agrarian Party. All Finnish citizens between 16 and 65 years of age were entitled to benefits. Two different kind of daily allowances were provided: flat-rate minimum allowances for those without a regular wage, and income-related payments which amounted to about 45% of income but were limited by a relatively low maximum level.\(^\text{31}\)

\(^\text{30}\) Salminen, op. cit., p. 248.  
the Sickness Insurance Act as compensation for the defeat they had suffered a couple of years earlier in the pension policy.\textsuperscript{32}

Later, in the 1970s, the wage-earner perspective, concerning the continuity of income levels and shared by the traditional working class, the workers of the expanding service sector and the so-called new middle classes, was accentuated in the development of various forms of social security. Sickness insurance and the relationships between the two pension schemes were reshaped and the comprehensive unemployment compensation system was constructed according to this mode of thought, although, at the same time, the principle of a minimum basic security system that included a flat-rate and means-tested benefits was established. As to the coverage and the compensation levels of various forms of social insurance, Finland was by 1990 just as exceptional among the Nordic countries as any of the other countries.\textsuperscript{33}

4. Compromise and planning

The story of Finnish sickness insurance indicates the importance of political contingency and, at the same time, of conflicts and compromises between different interests. This observation has various implications for historical research. For one thing, it helps to question the notion of the welfare state as a project and, in particular, the generalization of the Nordic welfare state as the Social Democratic project.

The Finnish welfare state history provides material for the critique of the “labourist bias”\textsuperscript{34} in interpretations of the welfare state. Farmers’ interests and their representatives played a crucial role. Agricultural policies were closely connected with social policies, these two policy sectors partly representing competing views on the problems of social order, and partly being handled within a common wider context, often as elements of political compromises. It is also worth remembering that the Finnish labour movement, since its dramatic rise in 1905–1907 in connection with the Russian revolutionary events, bore a strong rural label. Within the labour movement, the dominance of the party and the weakness of trade unions reflected this state of affairs. Until World War II, most of the Social Democratic voters lived in the countryside, and after the war, until the 1970s, the Communists and the Agrarian Party were the hard rivals for the small-size farmers in Eastern and Northern Finland.

The historical importance of farmers, as such, is definitely not a Finnish peculiarity. The political role of freeholder peasants and the cultural tradition of “Lutheran peasant Enlightenment”\textsuperscript{35} have been emphasized in historical accounts of the Nordic welfare state.


The Scandinavian class compromises of the 1930s can be seen as an intertwining of three different ideological elements: the spirit of capitalism, the Utopia of socialism, and the idealized heritage of the free, independent peasant. In a sense, the confidence in the virtuous circle between efficiency, solidarity and equality was a discursive form of this intertwining. Arguably, in the later history of the Nordic welfare state, this political and cultural background contributed to the parallel reinforcing and mutual relating of two principles: the universalist idea of social rights based on citizenship and the normalcy of wage-work. The tension between these two principles was primarily settled within the Social Democracy – one of the major carriers of the tradition of “Lutheran peasant Enlightenment” – at the same time as the political significance of farmers was diminished and that of new middle classes was increased.

Thus, the transformation that Gösta Esping-Andersen calls “decommodification”\(^{36}\) might be, instead, conceived of as a process of in which the normalcy of wage-work was made compatible with the universalist principle of social citizenship. In the Nordic welfare state history, the construction of extensive public services was the most obvious form of such adjustment. These services, defining and meeting the needs of health, care and education, bore the character of universal social rights\(^{37}\) at the same time as they created preconditions for the generalizing of wage-work as a norm. A transformation of the gender division of labour was crucial here, associated with redefined relationships between “family” and “society”. A particular complex of the welfare state, labour-market regime and gender system was formed. As has often been argued, the Nordic gender system, since the 1970s, has included a two-fold dependence of women on the welfare state: on the preconditions created for their work outside the home (e.g. childcare) and on the jobs created within the welfare state, in strongly gender-segregated labour markets.\(^{38}\)

This description applies to the shape on which the Nordic welfare state was built in Finland in the 1970s and 1980s. However, the case of Finland helps to point out that a step from the unpaid reproductive work in the private sphere of family to the position of carrying out the corresponding public societal functions of health, care and education was not the whole picture of the change in women’s work. Continuities concerning unpaid domestic work are not the only direction in which this description can be questioned. It is obvious that in Finland, probably more so than in the other Nordic countries, the gender division of labour before the “Nordic gender system” structured by the welfare state did not meet the old family ideals of middle-class educators. The hard labour of women in rural households included tasks that according to those ideals belonged to men.\(^ {39}\) Neither was the industrial

---


37. The public services as universal social rights within a national society have been instituted in a way, through which – not without tensions – “the role of local government in matters of taxation and welfare provision is much more pronounced in Scandinavia than anywhere else”. Abrahamson, op. cit., p. 54 (italics PK).


wage-work of women any marginal phenomenon in the late 19th and early 20th century. True, it was often a limited phase of life before marriage and the first child. Even so, the number of married women working in factories and shops was remarkable, even before its expansion during World War II. 

Through the construction of the welfare state, the notions of wage-work as a norm and as a source of individual autonomy were simultaneously reinforced. Nevertheless, work as the source of independence did not abolish its being a necessity. Thus, for example, the dual-earner practice was normalized not only as a matter of equality, but also as an economic necessity. Furthermore, one might argue that, in Finland, the heritage from a rural community in which work was at the same time a necessity, duty and a source of dignity still played a crucial role. This heritage was, however, not only a matter of mental continuities, but had been shaped by the history of political hegemony.

Even for Sweden’s part, one may question the narrative of the straight road from “the Lutheran peasant Enlightenment” to “the Social Democratic welfare state”; yet for Finland, this is even more the case. The figure of the free, independent peasant was given a strong ideological charge after the Civil War of 1918. For the White victors, it was the symbol of the White army and represented the core of the Finnish people and the main guarantee of “social peace” against the threat associated with the collectivity of wage-workers.

The ideological charge attached to the work of independent farmers was not only or even primarily expressed by open political conflicts. Rather, one can recognize this charge in the widely shared views on the role and notion of work. In so far as the Nordic welfare states, in general, can be interpreted as products of secularized Lutheranism, one could argue that one of their main aims has been to make it everybody’s right to follow the moral norm that everybody ought to work. Full employment became a shared programmatic objective in all Nordic countries after World War II. Yet the political commitment to this objective was remarkably stronger in Sweden and Norway than it was in Finland and Denmark. As for Finland, this did not mean that work as a moral norm would have been less important than it was in Sweden and Norway. On the contrary, as the tenets of “own work” and “will for work” of the independent farmer had formed the ideological centre of social peace, the principle of work as duty had been particularly emphasized. At the same time, however, this agrarian political heritage should have hampered rather than have helped the right to fulfil this duty to achieve such central status as it did in Sweden. Until the 1960s, the dominance of the so-called work-line or spade-line in dealing with unemployment was an institutional indicator of this work ethic.

Nevertheless, there were also signs of open political confrontation between the societal visions based on the work of independent farmers or the collective industrial wage-


work, even after World War II. In various ways, this overlapped with the more explicit confrontations, notably those between (i) rural and urban Finns, (ii) working class (labour movement) and bourgeoisie, and (iii) the Communists and the rest of the people.\textsuperscript{42} At the same time, however, the practical political process was orientated toward short-term interest conflicts and compromises within the framework of what the representatives of export industries and state economy were able to define as national economic necessities.

In his comparative study on the Nordic pension policies, Kari Salminen concludes that in the 1950s and 1960s, the Agrarian Party, often together with the Communists, worked for the “citizenship model”, for the administration centralized to state level, and for financing combining the pay-as-you-go system and the state. The solutions advocated by the Social Democrats were based on the “work performance model”, the administration decentralized to private pension institutions, and the financing through the funding system and employers.\textsuperscript{43} Salminen’s “citizenship model”, meaning unconditional flat-rate benefits to all citizens, should not be identified with universalism. In fact, the “work performance model” with its income-related benefits could be linked with the principle of social rights inherent in citizenship: the right of a secured continuity of income as an aspect of social citizenship.\textsuperscript{44} Furthermore, public social services, in their dual meaning as universal social rights and preconditions for the normalcy of wage-work, were strongly advocated by the Social Democrats and the entire labour movement. Nevertheless, it is reasonable to conclude that in Finland, the universalism in the welfare state has developed, to a great extent, in a process of pragmatic adjustment of diverging particularistic interests and viewpoints. The history of pension policy, as described above, is probably the most obvious indicator of this feature.

In the context of pension policy, however, the crucial role of planning expertise emerges, as well. The compromise that resulted in the Finnish private sector supplementary pension scheme of 1961 included very little reminding of the Social Democratic idea of national economic steering behind the previously revised Swedish pension system. Yet the compromise was very much a creation of the planning reason, the technocratic professional knowledge, and these experts had the self-awareness of being the representatives of the national common good.

Obviously, planning and compromise are not mutually exclusive grounds for welfare policy solutions. Let us linger for a while on this problem in the light of some Finnish texts that manifest the changing reflections of social policy within the discipline called social policy.

Somewhat paradoxically, in as much as the social policy was explicitly interpreted and motivated on the basis of the concept of class, the anchoring of these activities to scientific knowledge was programmatic and expressed without any hesitation. This was true, for example, of the view of Professor Eino Kuusi, as it was presented in his massive and influential handbook on social policies in the early

\textsuperscript{42} Cf. E. Allardt, \textit{Samhällstrukturoch sociala spänningar} (Tammerfors, 1965), pp. 139–141.

\textsuperscript{43} Salminen, op. cit., pp. 247.

\textsuperscript{44} Cf. the argument by Hicks, op. cit., for the “income security politics” being the basic characteristic of the Social Democratic welfare policies.
1930s. Not only did he argue for scientific research on social phenomena, but also social policy and national economic policy proper were scientific per definitionem. This meant that these policies recognized the national interest above particular interests (or the interest of “society”) and were, consequently, capable of settling the class interests and preventing the over-consumption of national labour power.45

Tension between scientific expertise and group interests was included in the definition of social policy at the same time as the function of social policy was no longer associated with the working class or class relationships. The most notable document in this respect is the textbook by Professor Armas Nieminen, published in 1955. For him, social policy included “the efforts and measures intended to guarantee the standard of living seen reasonable, social security and satisfaction to the different social groups, families and individuals”.46 Thus, the motivation of social policy was no longer based on class relations and conflicts. Concerning the actors and interests behind the social policy, Nieminen noted that the social policy was, on the one hand, a practical expression of “the solidarity felt by the whole society towards its different groups and citizens”, but was based, on the other hand, on the action of the different groups for their own interests, i.e. “the practical actualizing of the group selfishness”. Nieminen associated this tension with another kind of tension, namely that between plan and compromise. As an inherent property of social policy, controversies existed between the views of the experts in possession of planning knowledge and the views of the politicians promoting their particular interests.47 We can conclude that, for Nieminen, “society” was – as it used to be in Nordic discourses – an agent that was simultaneously the centre of social solidarity and able to ground its goals and tasks on the scientific social knowledge.48

A further step was taken by Pekka Kuusi, Eino Kuusi’s nephew, in his Social Policy for the 60s (1961). Instead of pointing out the tensions between the universal interests of society and the particular interests of different groups, or between the planning knowledge and the conflicts and compromises among different interests, Kuusi expressed his strong confidence in virtuous circles within modern society. True, the idea of citizens and social groups shaping the social policies of democratic society by their different aspirations, interests and power resources was included in Kuusi’s argument. However, his (mostly implicit) solution to the problem of rational planning versus particular interests had much in common with the Myrdalian idea of “created harmony”, in which the collective compromises and rational planning were connected through the process of enlightenment. In the “created harmony” everybody was able to reflect his or her interests in a more general reference of society: he or she fulfilled a function in the whole and was a member of enlightened citizenry.49 Kuusi’s main concerns were the preconditions for the social policy as

45 E. Kuusi, Sosialipoliittikka I-II (Porvoo, 1931), see especially part I, pp. 13–35.
47 Ibid., pp. 140–141.
rational planning. The virtuous circle between democracy, equality and growth rescued the possibility and necessity of rational planning in two senses. First, it provided the compromises between particular interests with the character of positive-sum-game, secondly, it made the contrast between “social” and “economic” disappear and, thus, created the basis for the conscious development of social policy as an integral part or subspecies of a wider “societal policy” (yhteiskuntapolitiikka in Finnish; samhällspolitik in Swedish), from which its objectives should be derived.

In divergent ways, all these definitions of social policies reflect the crucial role addressed to state apparatus and civil servants as the main locus of social knowledge and planning capacities. In the Nordic comparison, something particular seems to be found in this Finnish trust in the state. A characteristic of the Swedish history of the welfare state and Social Democracy is the idea that the state can be conquered and changed into the instrument of political will, planning being the modus operandi of this instrument. As for the Norwegian history, an indication of this very same idea can be seen, for example, in the composition of the recent book by the sociologist Rune Slagstad on Norwegian “national strategists”. He has divided his presentation into chapters according to the leading power at any given time shaping and using the state (the state of the civil servants, the state of the venstre party, the state of the labour movement). Arguably, the Finnish trust in the state has been different. In addition to the Hegelian tradition, the concrete modes in which the Finnish political system was shaped contributed to the conceiving of the planning reason not as a political matter of making use of the state but as an inherent property of the state itself.

The tight intertwining of the history of professional expertise and the administrative history of the nation-state can be seen here. Civil servants as professional experts have adopted two related tasks. They have shown the limits within which a compromise has to be made, and translated conflicts and compromises into functional necessities, i.e. transferred the issue in question from the sphere of interests into the sphere of needs, and from the sphere of politics into the sphere of administration. True, the politicization of administration emerged as a topic of intense public debate and concern after the left turn in politics in the late 1960s. It can be argued, however, that even in this phase, the contrary tendency proved to be more powerful, i.e. the reinforced administrative logic within politics, most notably in the development of Social Democracy.

Not only did a close connection between professional expertise and the state derive from the particular Finnish nation-building in the 19th century, but also a narrow gap between voluntary organizations and the state. The voluntary organizations that were associated with the common good and with various educational aims at rationalization of everyday life have played an important role


\[51\] R. Slagstad, De nasjonale strateger (Oslo, 1998).

in the definition of “social problems”. However, even those voluntary organizations that articulated class conflicts gained a certain legitimacy in the context of the governmental production of social knowledge. Thus, long before the industrial employers recognized trade unions as their counterparts in labour market relations, unions could – even from employer perspectives – appear as legitimate although biased articulators of workers’ needs towards governmental policy planning. This legitimacy was institutionalized in representational practices of official committees, and it was supported by the so-called tripartism of the ILO since 1919. The time of World War II was the decisive phase in the expansion and routinization of this type of corporatist representation. The building of the collective agreement system proper occurred after the war in a way that can be described as a change, in which this governmentally mediated intercourse between the central employer organizations and trade unions was widened downwards. The parity-based forms of collective labour relations were constructed, notably in the manufacturing industries, through the process that started from the national central level and were then continued on national sectoral and in weaker and less symmetrical modes, at the local and workplace levels.

Here, the problem of the relationships between the welfare state and industrial relations emerges. In part, this is an issue about how political conflicts and compromises are institutionalized in the making of social policies; i.e., which role labour market organizations play in social political decision-making. The fact that the collective labour-market actors have played a strongly institutionalized role in social regulation also implies, however, a problem concerning the modes in which social security is produced. Even in this respect, particular traits of Finnish institutional change may offer a point of departure for questioning some taken-for-granted aspects of “the Nordic model”.

5. Welfare state and labour market parties

Two aspects of “the Nordic model” seem, at first sight, controversial: the principle of universal social rights associated with citizenship, and the principle of working-life issues being regulated through autonomous negotiations and agreements between the voluntary organizations of employees and employers. The case of Finland may help to add a paradoxical dimension to the picture. In relative terms, the direct regulative role of the state in working-life issues has been more outstanding in Finland than in the other Nordic countries, yet this very fact seems to have been associated with a weaker orientation toward a widening of social citizenship into the industrial working life.

Generally speaking, in the Nordic countries, the principle of collective agreements was gradually provided (especially by the reformist labour movement) with notions associated with democracy and citizenship. The idea of the symmetry between the labour-market parties, within a national society, was strengthened not

---


*Scand. J. History* 26
just as an *ideological legitimation* of essentially asymmetrical relationships between capital and labour.\(^{54}\) A *critical* charge was also included in this idea. The symmetry between the labour-market parties, as it was expressed, e.g. by the Swedish basic agreement, the Saltsjöbaden Accord of 1938, was given the – far from unambiguous or uncontested – meaning of being a normative standard of the society itself. As such, it could be used for the identification and criticism of asymmetries in working life. The issue of democracy was present in various ways. For one thing, it was associated with the notion of collective action as the precondition of the parity at the collective level, notably the collective action of workers; i.e. the weaker party of individual employment relationships. At the same time, the collective-level parity itself was defined as a part of “the Nordic democracy”, as the Nordic Social Democrats did in the 1930s. Thus, trade unions were seen as carriers of democracy in two senses, both as *a part of the Nordic tradition of popular movements* and as *a labour-market party*. However, yet another way of associating democracy with the symmetry of labour-market parties was developed. This could be characterized as a Utopian ideal in which *social citizenship* is based not only on the rights addressed to the individual by the state, but on the equality achieved even *within the individual worker–employer relationship* through collective self-regulation – a vision of a democratic wage-work society.

In Finland, before the building of the national system of collective agreements in the middle of the 1940s, direct legislation was obviously the primary means of formal regulation of labour relations. After the war, the autonomy of collective agreements was still limited, as the governmental regulation of wages and prices that had been established during the war was continued, in corporatist forms, until the middle of the 1950s, although with varying efficiency and permanent inherent conflicts, which culminated in the General Strike of 1956. From the end of the 1960s, the so-called era of *incomes policy* began, and a new type of intertwining of labour-market agreements with social and economic policies was introduced. Major parts of the Finnish welfare state were built on the basis of wide incomes policy agreements, in which the parties comprised the central interest organizations of blue- and white-collar workers, private and public sector employers, agricultural producers, and the government. The so-called “social packages” were a regular part of these agreements.\(^{55}\)

Despite the specificity of the Finnish incomes policy, many formal institutional features of Finnish industrial relations were typically Nordic since the early 1970s.


\(^{55}\) At the time of the first income policy agreements in the late 1960s, the government as well as *Eduskunta* had an exceptional Socialist majority (in 1966–1970), the government being a “people’s front government” of the Social Democrats, Centre Party and Communists. Later, until the mid-1980s, the governments were usually coalition governments with the Social Democrats and the Centre Party as the main parties and often with the participation of the majority fraction of the actually although not formally divided Communist Party. The non-Socialist majority of these coalition governments reflected the composition of Parliament on this traditionally important dimension, although the conservative Coalition Party was permanently in the opposition between 1966 and 1987. Until his resignation in 1981, President Urho Kekkonen played a central role in the building of governments. Moreover, he sometimes even actively contributed to an income policy solution.
They included the high rate of organizing and the strong presence of trade unions not only in national policies but also at the workplace level, the latter especially because of the strengthened position of shop stewards and labour protection representatives. However, remarkable historical factors functioned against an active developing of such visions of social citizenship in working life that seem to have influenced debates on working-life reform, for example, in Sweden. On the one hand, strong “low-trust” elements, with more or less explicit political dimensions, were inherent in the Finnish labour relations, and on the other hand, the Finnish employers were in a hegemonic position in the sense that the issues of work processes and production systems were greater than in the other Nordic countries excluded from the agenda of industrial relations. These issues tended to remain in the sphere of technological and economic necessities.

***

A change occurred in the 1980s, yet not in the direction of politics against markets. Nevertheless, in Finland, the responses to the rise of “market forces” were different from those in Sweden. In Sweden, the consensus based on “the spirit of Saltsjöbaden” had been broken and the issues concerning labour relations and the societal role of labour-market organizations were re-politicized. Conversely, for Finland, a national consensus was reinforced in the 1980s on the basis of a pragmatism that was orientated toward an active adjustment to what was conceived of as the new need for national economic competitiveness. The long continuity of the national modes of thought was remarkable, yet a change, including a depoliticization of employer–employee conflicts during the 1980s, was obvious, as well. The tripartist forms of policy-making remained relatively unchallenged.

The adjustment to “economic necessities” – such as the international deregulation of finance markets in the late 1980s and the collapse of the Soviet Union and the subsequent fall of the so-called East Trade – was far from successful. This was proven by the deep economic depression and dramatic rise of unemployment in Finland in the early 1990s. However, in the public discourse, the notion of politics as fulfilling national necessities was in fact reinforced by this experience. The cuts in welfare benefits and services could be legitimized this way, but even the defence of the welfare state and industrial relations institutions

---

57 Cf. B. Schiller, Samarbete eller konflikt (Stockholm, 1986).
58 A crucial part of the change was the stabilization of the parliamentary system; for example, in the sense that the government standing in power for the whole four-year period between the elections became the norm now. The long controversial tradition of coalitions of the Social Democrats and the Centre Party had been broken, as in 1987 the new government was built on the basis of the Social Democratic Party and the Coalition Party. The next government (1991–1995) was a bourgeois coalition, the Centre Party and the Coalition Party being the main parties, whereas since 1995, the governments have comprised not only the Social Democrats, the Coalition Party and the Swedish People’s Party (the near-to permanent small partner in the Finnish governments), but also the Left Alliance, with its roots in the former Communist movement, and the Green Party. This type of unholy coalition reflects the pragmatic consensual orientation of Finnish politics, although the Centre Party, as the main opposition party, indicates the political role of the continuous tension between rural and urban Finland.
could be based on this kind of argumentation. Here, the notion of “project” has been actualized along with the notion of functional necessities. Even the critics of the welfare state and collective industrial relations tend to discuss these institutions as a common national project, which “we” had built in the past, but which has reached its end in the present world of globalized economy. The Finnish defenders of “the Nordic welfare society” attempt, in turn, to prove that the institutions of social regulation are necessary elements in the common national project for competitiveness based on knowledge and innovation. The history of the Finnish social policies and labour relations includes particular preconditions for this kind of functionalistic defence.