

DISCUSSIONS:

## Finland – Twelve Points!

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### Introduction

“It is a lottery prize to be born in Finland.” This saying was coined already in the 1970s, but it was generally accepted during the 1980s when Finland was experiencing stable economic growth in a world troubled elsewhere by inflation, unemployment, exchange-rate volatility and chronic public deficits. After the revaluation of the markka in 1989, statistics showed that in terms of GDP per capita (uncorrected for differences in the domestic price levels) Finland was among the top nations of the world; so a sense of euphoria spread on the economics pages of our newspapers and journals. Finland had become the “Japan of the North.”

Then befell the *suuri lama* – the “great depression” of the early 1990s – and Finland became the first OECD-country to experience such a dramatic economic crash since the end of the Second World War. Euphoria turned into an almost tangible sense of crisis. Not until the glorious victory over Sweden in the ice hockey world championship in 1995 did times become more cheerful. Also very encouraging was the remarkable success of Nokia. A few years earlier, this archetypical national conglomerate had been on the brink of bankruptcy, but now it was a world leader in a rapidly expanding niche.

At the end of the 1990s Finland again had become the success story.

The aim of this discussion article is to present and discuss some – rather arbitrary chosen – views and indicators concerning the Finnish success story. Since Finns are not

supposed to brag, my style will be somewhat jocular.

I will start by describing some recent examples of how foreigners have put Finland on a pedestal as a model for other countries. I will then look at some rankings with Finland at the top, and some with Finland trailing behind. Here I will draw upon a recent Canadian study in which ninety different economic and social indicators are used to compare four groups of countries: the Nordics, the Anglo-American, the continental European and the Mediterranean; by rearranging the indicators I will try to find out in which ways Finland is exceptional. Then by way of conclusion I will set out some explanations for her apparent success. Are there really any lessons to be drawn from the Finnish case?

### Propagation of Finland as a model

At the beginning of this century, texts describing Finland as a model began to appear more often than before. The admirers came from various parts of the world and represented a variety of ideological leanings.

Richard Lewis<sup>1</sup> wrote in 2005 a book *Finland, Cultural Lone Wolf* asking why is Finland number one in global competitiveness and mobile phones; the least corrupt country in the world; the world leader in managing water resources; and why are Finns regarded as the ideal peacekeepers (Lewis 2005). The renowned Spanish sociologist Manuel Castells and his Finnish co-author Pekka Himanen published in 2003 a book called *The Information Society and the Welfare State: the Finnish Model*. The story they told was of a country that

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<sup>1</sup> According to the book, Lewis “lectures and consults worldwide with clients that include Mercedes-Benz, Nokia, Rolls Royce, Volvo, Deutsche Bank and Unilever”.

had been on the frontier of an informational revolution, but managed to maintain an egalitarian welfare society.

Boris Kagarlitsky, director of the Institute of Globalization Studies in Moscow, and a Marxist dissident in Soviet times, described in his book *The Revolt of the Middle Class* (2006) Finland as “*the northern exception*”<sup>2</sup>. According to Kagarlitsky:

*The “Californian model” builds the network as a gigantic supermarket, while the Finnish model builds it as a vast library. In the former case everything is about the purchase of goods; in the latter, about access to knowledge, information and socially necessary services.* (Kagarlitsky 2006, 294-295)

There are fennophiles also on the other side of the Atlantic. Canadians Neil Brooks and Thaddeus Hwong (2006) compared the high-tax Nordic and the low-tax Anglo-American countries. They singled out the United States and “...*another country Canada might wish to emulate: Finland*”, and they find that:

*This pattern, with the United States ranking about the lowest among industrialized countries and Finland near the top, is evident on most of the remaining social indicators we examine – relating to social goals such as personal security, community and social solidarity, self-realization, democratic rights, and environmental governance.* (Brooks and Hwong 2006, 10)

According to the study, Finland is a good example of the high-tax Nordic models in general. The fascination abroad for the Nordic, Scandinavian or Swedish model is of course not new; what is new is that Finland today is sometimes regarded as the most interesting Nordic case.<sup>3</sup>

Even the Swedes have lately paid attention to the case of Finland. During the election campaign in 2006, the bourgeois parties – which won a historic victory over the social democrats – consistently praised the Finnish way of handling things. Among the examples they used were the Finnish educational system and the tax-subsidy for hiring service workers. Some Swedish writers cautiously referred also to Finland’s membership in the European Economic and Monetary

Union and its courageous building of a new nuclear plant. That even the Swedes admire the Finns for reasons unconnected to the sauna, *sisu* or Sibelius can be taken as the ultimate sign of national success, comparable to the monster-group Lordi bursting the long spell of humiliation at the European song contests. Finland – twelve points, *douze points!*

### Finland in global rankings

Several factors – the informational revolution, the proliferation of international organizations, and the need of investors to monitor suitable locations for investment – have caused an outburst of international ranking lists. Institutions such as OECD, the World Bank, UNDP and the World Value Survey have specialized in creating new indicators for different purposes. According to the country listing database NationMaster (2007), Finland is No. 1 on many of them; in technological achievement, literacy, Summer Olympic medals, freedom in decision-making, growth competitiveness score and communication-technology patents (see Table 1).<sup>4</sup>

According to the rankings, Finland is also a country with high educational levels (#2), but students report high noise and disorder levels in class (#2). Finns think that they are quite happy (#2), but the number of reported crimes per capita is high (#3). There are relatively many rape victims (#3, along with Sweden), but also many female parliamentarians (#3). Finns are heavy consumers of coffee (#2), spirits (#3) and energy (#3). Taxation is high (#3), but so is the will to fight for the country (#4). Finns trust others (#4) and they feel safe walking in the dark (#4). They tend to own their houses (#5), but relatively many of them see people of

<sup>2</sup> The book reminds me of the early Russian fennophiles such as Peter Kropotkin, the noble anarchist who wrote *Finland: A Rising Nationality* (1884) and Grigory Petrov, whose *Finlandija, strana belykh lilij* (1907) was to be used as a schoolbook in Kemalist Turkey.

<sup>3</sup> Denmark also has been pointed out as a good Nordic model for countries striving to attain “flexicurity.” Denmark had been the first country to experience, after World War II, a tax revolt and massive unemployment in the 1970s, but since then she has managed to adapt to the challenges of globalization and the informational revolution in a way that has attracted attention to the “Danish model.”

<sup>4</sup> Finland is also tops for suicide rates (in most age groups) among the OECD-countries. When the selection of countries is made somewhat broader, however, she loses her top position in this regard, trailing behind a handful of countries among which Russia, the Baltic states and Hungary are prominent.

Table 1  
Finnish top rankings.

	Technological achievement	Literacy (% of pop.)	Summer Olympic medals (All-time, per cap.)	Freedom in decision-making	Growth competit. score	Communicat. technology patents (per cap.)
1	Finland	Finland	Finland	Finland	Finland	Finland
2	USA	Canada	Sweden	USA	USA	Sweden
3	Japan	New Zealand	Hungary	Canada	Sweden	Japan
4	Korea, South	Australia	Denmark	Sweden	Taiwan	Netherlands
5	Sweden	Ireland	Norway	Switzerland	Denmark	USA

Source: *www.nationmaster.com* (January 2007).

a different race or drug addicts as undesirable neighbors (#2, #3).

Among the bottom rankings we find that Finland has the smallest number of hours of instruction for pupils aged 9 to 12, that it has the smallest proportion of houses with more than 5 rooms, that Finns produce less waste in kilograms per capita and that municipal waste-treatment expenditures per capita are the smallest. We find also that the growth in health expenditures was the smallest and that the lowest proportion of people who have signed a political petition is to be found in Finland. True, in these bottom-position cases Finland is compared mostly to other OECD-countries, but still they give a picture of national peculiarities.

Other low rankings are “consultation with doctors” (#2 last), “discuss politics frequently” (#2 last), not thinking of political extremists as undesirable neighbours (#2 last). There are few property-crime victims (#3 last), few children living in poor families (#3 last) and few immigrants per capita (#3 last). Finns tend not to drink bottled water, soft drinks (#4 last) or wine (#3 last). There are few abortions and asylum-seekers per capita. Life-satisfaction inequality is low, and so are the crime victims as a proportion of the population. The proportion of pupils disliking school is low, and so are church-attendance, cannabis-use, daily smoking, the proportion of taxes paid by the richest 30 per cent, and the number of cars per inhabitant.

In an article written by Juho Saari and Raija Sailas (2006) we find a more systematic review of the most important economic and social rankings. Table 2 shows the different indicators and the rank given to Finland on each of them. In these rankings Finland is the only country with three first positions.

It is also the only one which appears among the 15 best on all the rankings.<sup>5</sup>

### Effort and performance

The study by Brooks and Hwong (2006), in which they compare high- and low-tax countries, contains ninety economic and social indicators for twenty countries. They arrange the countries into four groups. Denmark, Finland, Norway and Sweden belong to the “social democratic” Nordic group. Australia, Canada, Ireland, New Zealand, United Kingdom and the United States are classified as Anglo-American “liberal” welfare states. Austria, Belgium, France, Germany and the Netherlands constitute the “corporatist” continental European regimes. Greece, Italy, Portugal and Spain represent the “Mediterranean welfare states,” in which pensions are generous but other state support systems are less prominent, giving family and church a greater role.

We can use the indicators presented by Brooks and Hwong to try to spot in which sense Finland is particular. It is possible to rearrange the data somewhat, not only to find out whether and when Finland is exceptional, but also in order to display a story behind the Finnish case. By grouping the indicators into four categories labeled 1) the effort, 2) culture and institutions, 3) economic performance and 4) social performance, I try to capture some of the dimensions that characterize the Finnish model.

In a Nordic comparison, the distinctive aspects of

<sup>5</sup> Norway, however, has more “medals” than Finland. (Finland has 3 “gold” and 2 “bronze”; Norway 2 “gold”, 2 “silver” and 2 “bronze”. Norway also beats Finland as to Winter Olympic medals per capita.

Table 2  
*Finland's position on economic and social rankings.*

Name of indicator	Number-One country	Finland's position	Number of countries ranked
World Competitiveness 2005	Finland	1	104
Business Environment 2005	Denmark	7	60
Environmental Sustainability 2005	Finland	1	74
Networked Readiness 2004	Singapore	3	104
Composite Risk Rating 2004	Norway	6	140
Human Development 2005	Norway	13	177
Quality of Life 2005	Ireland	12	111
Social Progress (WISP) 2000	Sweden	4	163
Corruption Perception 2002	Finland	1	102
Economic Freedom 2005	Hong Kong	15	155
Gender Gap 2005	Sweden	5	58
Government Effectiveness 2004	Switzerland	3	204

Source: Saari & Sailas 2006

the Finnish model are the central status of export-competitiveness and the peculiar constellation of interest-mediation. This was one of the findings of a project comparing the economic and social-policy models of the Nordic countries (Mjøset 1987; Andersson et al. 1993). These characteristics still hold true, but instead of high investments and timely devaluations the emphasis has now been shifted to the development of a national system of innovation, involving all sectors of society. The effort-indicators therefore reflect education, research & development, and creativity. Two indicators are chosen to reflect the peculiar interest-mediation: the economic security index compiled by the International Labor Organization, and the degree of unionization. These effort-indicators are collected in Table 3.

Culture and institutions – factors that greatly influence a country's performance – are reflected in some of the indicators collected by Brooks and Hwong. How much can you trust people? How much confidence do you have in political and judicial institutions? To what degree are women emancipated and empowered? The level of taxation and fiscal responsibility is also important aspects of the spirit of a nation. In our earlier studies of the Nordic models we found that “[t]he Finnish welfare state has adopted many Nordic characteristics, but social policy has been more subordinated to “economic necessities” than in other Nordic countries.” (Andersson et al. 1993, 9.)

The “results” of the efforts, and of the cultural and institu-

tional settings, are summarized in tables 5 and 6. Table 5 lists typical economic performance indicators, such as growth, productivity, inflation, trade, jobs and competitiveness. Table 6 contains indicators related to well-being, poverty, income-distribution, health, long-term unemployment, violence and self-realization. Economic and social-performance indicators are used to assess the results due apparently to the efforts and to the cultural and institutional settings.

There are some troublesome aspects related to the figures in the tables. In general the indicators are not averages over a long time-period, but picked from one or the other of the years at the beginning of the 21st century. Some of the variables could be considered as efforts instead of performances or institutions, and vice versa, but in order to make the presentation clear, I present all indicators belonging to the same dimension together.

I compare Finland to its own group – the Nordics – and to the three other groups. Often the Nordic countries – including Finland – differ from the rest, but Finland is by no means exceptional in the Nordic context. Sometimes it would fit better into another group – most often the continental European. A bold figure marks those indicators where Finland is above or below the average of all four groups. This does not mean that Finland necessarily is “number one”, but that it is exceptional even in a Nordic comparison. The averages are the ones calculated by Brooks and Hwong, which means that Finland is included in the Nordic averages.

Table 3  
Effort indicators related to the “Finnish model”.

Dimension	Indicator	Finl	Nord	Angl	Cont	Medi
Education	Total public and private expenditures on education of GDP	5.8	6.4	5.9	5.7	5.0
	Public expenditures on education	5.7	6.2	4.8	5.2	4.7
	Expenditures on pre-primary education, (for children at least 3 years old)	0.4	0.7	0.3	0.5	0.4
	Completed upper secondary education (among people aged 25-64)	75.9	81.5	73.0	71.1	40.2
	Completed university or college education	33.0	32.3	33.0	23.0	16.0
	Completed university education	16.4	22.1	20.6	14.1	12.3
	PISA 2003 score Reading	<b>543</b>	512	517	500	477
	PISA 2003 score Science	<b>548</b>	503	512	508	481
	PISA 2003 score Math	<b>544</b>	516	513	517	466
	Difference of PISA math scores attributed to status of parents	<b>61</b>	70	74	92	75
Creativity	Innovation capacity index	<b>0.98</b>	0.95	0.89	0.87	0.76
	Innovative capacity (Gans & Stern)	<b>173</b>	137	84	77	15
	R&D % of GDP	3.4	3.4	1.7	2.2	0.9
	R&D researchers per 10 000	<b>17.7</b>	11.6	7.3	6.8	3.9
	Network Readiness Index	<b>1.72</b>	1.61	1.43	1.15	0.32
	Broadband subscribers per 100	15.0	15.8	9.5	12.8	6.3
	Global creativity index	<b>0.68</b>	0.67	0.56	0.57	n.a.
Investment	Net national saving of GDP	8.4	11.6	5.8	7.4	5.2
	Change in gross fixed capital	4.8	5.6	8.2	2.0	3.3
	Inward FDI % of GDP	2.5	0.9	3.7	8.3	0.8
	Inward FDI performance	1.8	0.8	2.3	4.7	1.0
Social mediation	Economic security index	<b>0.95</b>	0.94	0.70	0.82	0.74
	Union density	<b>76.2</b>	71.5	23.9	30.0	24.7

Source: Brooks & Hwong 2006.

Education and innovation are the most clearly stated effort-dimensions. The belief in the importance of education, research and innovation as means to a good economic and social performance is very strong in Finland. Interestingly enough the educational results are much better than what one would expect from looking at the input-indicators. Finland’s expenditures on education are only on the level of the average of the whole sample, and clearly lower than in the other Nordic countries. As mentioned above, Finnish children spend fewer hours at school than do pupils in other OECD-countries. Despite this they score high in the PISA-studies in reading, science and math. The Finnish schools also seem to be relatively effective in reducing the differences that arise from the status of the parents.

Regarding research and innovation the strong Finnish input effort is clearly noticeable. It has the highest proportion

of researchers, and the second highest percentage of GDP directed towards R&D. This significant input corresponds to high values for different output indicators: innovation, creativity, patents and royalties.

The Finnish institutional setup for innovative activities is actually rather unique, with a distinct division of labor between state funded institutions. *The Academy of Finland* supports academic research. The Finnish Funding Agency for Technology and Innovation, *Tekes*, is concerned with applied research explicitly directed towards innovations. The Technical Research Center of Finland, *VTT*, engages in the development of new technologies in cooperation with companies and the public sector. The Finnish Innovation Fund, *SITRA*, acts as a public venture company, financing quite different innovative projects. This systematic effort to develop into a high-tech economy and society is certainly one reason why

Finland stands out when it comes to different measures of innovative capacity. The Nokia-saga would be quite incomplete without reference to the Finnish system of innovation.

As for savings and investments, the Finnish effort no longer differs manifestly from that of other countries. This is in contrast to the years before 1990 when Finnish investments in fixed capital were exceptionally high, pushed by an ambitious developmental state that made room for a high level of nationally funded projects. Foreign direct investment is continuing to play a relatively small part in the Finnish economy – as in the other Nordic countries.

The high score on the Economic Security Index provided by the ILO is particularly important for the understanding of the Finnish effort. This indicator could also be referred to the cultural and institutional background variables, but since there have been strong forces promoting income policies and innovative cooperation at the firm level, I chose to put it on the effort list. According to the ILO-study of more than 100 countries on the socio-economic security of workers, Finland was ranked second after Sweden, but ahead of Norway, Denmark and the Netherlands. Finland was on top in two dimensions, “*the possibility of the employees to influence their work*” and “*protection against illegal firings*”. It was second in “*the ability to develop working skills*”, and third in “*the possibility to make one’s voice heard e.g. through the trade union.*” (Helsingin Sanomat 2.9.2004.)

This ranking explains why Finnish industry despite strong trade unions has been able to rapidly introduce new technologies. Through a systematic cooperation between the companies and the unions, the one accepting a rapid introduction of new technology, the other giving some guarantees that the workers would be involved and reeducated, the resistance to change has been smaller than in, for instance, the continental corporatist nations. In most international studies on competitiveness, strong trade unions are regarded as a drawback for Finland, but this is probably an error. Both on the national and firm level, strong union participation in economic decisions can improve competitiveness. In the Finnish case moderate national income policies have kept relative unit-labor costs in check. At the firm level, openness to innovations has been enhanced.

Social trust, gender relations and fiscal policy have been referred to the cultural and institutional “infrastructure.”

These are almost given in the Finnish case. Trust in the public sector and certain forms of solidarity are almost inbuilt in the Scandinavian culture. The link between the state and the civil society has been extraordinarily strong since the start of the national project in the 19th century.

Gender equality is less of an issue in Finland than in the other Nordic countries; it is mostly taken for granted. Prudent fiscal policies have always been a characteristic of the Finnish system. In comparison to the other Nordic countries, Finnish government finances have been “cameralistic” rather than “Keynesian.” During good times, social benefits have been developed on the basis of corporatist interest mediation, and in recessions reductions in social expenses have been agreed to as economic “necessities.”

The indicators confirm that social trust, gender equality and stern fiscal policies are typical for Finland, although not exceptional when compared to the Scandinavians.

When looking at the set of indicators the indicator tagged as “having frequent political discussions with friends” sets Finland apart. It differs completely from that of other Nordic countries, and is lower for her than for any other country in the set. How can this be explained? Do Finns discuss little in general? Have the consensual policies permeated society so much that there is little cause for political discussions? Are the Finns so satisfied with how things are going that they do not bother about politics?

Growth and competitiveness have been Finland’s central economic goals for a long time. As can be seen from the table, Finland has continued to be successful on both accounts. Its multi-factor productivity growth has been impressive, surpassed only by that of Ireland. Thanks to cautious national income policies, changes in unit labor-costs have been moderate, and the surplus on current account substantial. In the World Economic Forum rankings of competitiveness, Finland has acquired top positions for many years. It is fascinating that when the US is set as the standard other countries should emulate Finland ranks third after Australia and Canada. The Finnish effort has clearly been successful on this score. The only bruise on the shield is the high rate of unemployment. Despite more than a decade of impressive economic growth, the mass unemployment of the 1990s has receded agonizingly slowly.

Well-being, equity and health are Finland’s most promi-

Table 4  
*Cultural and institutional indicators.*

Dimension	Indicator	Finl	Nord	Angl	Cont	Medi
Social solidarity	Agreeing that people can be trusted	57.4	63.9	37.9	36.3	25.6
	Corruption perceptions index	<b>89.9</b>	88.0	86.7	85.8	78.2
	Having frequent political discussions with friends	<b>6.6</b>	18.2	13.3	17.3	15.2
Confidence	in Parliament	42.3	52.7	32.1	42.2	39.6
	in Major companies	42.9	51.5	51.0	45.0	42.2
	in the Justice-system	66.7	68.9	45.8	51.2	40.0
Gender	Gender-Gap Index	5.19	5.35	4.65	4.40	3.81
	Gender empowerment	0.83	0.87	0.77	0.81	0.65
	Female labor-force participation	72.9	75.0	68.6	64.9	58.0
	Female doctors of all doctors	<b>53.2</b>	42.5	31.9	36.6	40.5
	Women in parliament	37.5	39.5	21.4	29.5	18.7
	Women in government	<b>47.1</b>	44.3	21.8	31.3	20.1
	Agreeing that when jobs are scarce, men should have more right to a job	9.0	8.0	17.0	22.9	22.8
Fiscal policy	Taxes of GDP	44.2	46.9	32.0	40.6	36.3
	Total government revenue	52.5	56.9	38.0	49.7	46.9
	Surplus or deficit to GDP	1.9	4.1	0.1	-2.1	-3.5

Source: Brooks & Hwong 2006.

ment social goals. Finnish social performance is mixed. It trails behind both its Scandinavian siblings and several other countries as to public social and health expenditures. Homicides and suicides are highest in Finland, and male life expectancy is still relatively low. Relatively few are very happy. On the other hand Finland scores high on several indicators: income inequality between the richest and the poorest is the smallest of the sample; infant mortality and low birth-weights are least frequent; sense-of-freedom and life-satisfaction rankings are remarkably good; the use of cannabis is infrequent, but, although not included in this set of indicators, the misuse of alcohol is notorious. However, in relation to the money spent on social problems and health, Finland's performance is astonishingly good.

### Geo-historical luck and inter-cultural coping

So how can we account for the success of a remote and cold country that in its national anthem praises itself for being poor and remaining so? We have already encountered three different explanations: culture, gender, and the role of the state. To these I will add a fourth: geographic-historical position and how the Finns has managed it. Let me return

briefly to the first three, and then take on the fourth. According to the above-mentioned Richard Lewis, who is an expert on cultural differences and conflicts, the Finnish culture is unique.

*This remarkable people speak a language unique in its origins and have kept their cultural identity intact despite the influences of powerful neighbors, Sweden and Russia. Pursuing a "Lone Wolf" policy, Finland raised itself from a struggling, war-battered state in 1945 to one of the most developed countries in the world.*  
(Lewis 2005, cover)

Lewis makes a schematic comparison of Finnish and Swedish communication-patterns. He stresses that Finns use minimal speech, increase succinctness if needed, and strive for clarity. Swedes, on the other hand, set the scene in a semi-formal and proper way, include plenty of contexts, and discuss until they reach consensus. They then stick to this consensus, being reluctant to accept any resistance to it and believing that the Swedish way is the best (Lewis 1999). Such observations has often been made in studies of Finnish and Swedish leadership-cultures. However, stressing the dif-

Table 5  
*Economic-performance indicators.*

Dimension	Indicator	Finl	Nord	Angl	Cont	Medi
GDP	GDP per capita USD PPP	30600	32825	32083	30360	23550
	GDP per cap. growth-rate 1995-2004	3.7	2.8	4.1	2.1	2.8
Productivity	GDP per hour worked USD	39.2	44.1	38.2	44.7	31.3
	Growth 1995-2004 in	2.3	2.1	2.5	1.5	1.5
	GDP per hour worked					
	Multi-factor productivity growth 1995-2002	<b>2.2</b>	1.2	1.7	0.8	0.8
Labour costs	Change in unit labor cost	1.0	1.0	2.1	0.0	4.3
Inflation	Consumer prices	<b>0.4</b>	0.8	2.8	2.1	2.7
Debt	Government debt	52.5	54.8	42.8	74.5	88.5
Trade	Current account	5.1	7.4	-3.2	3.3	-5.1
Jobs	Employment growth	1.5	0.9	2.5	0.2	1.8
	Unemployment	8.5	6.2	5.0	7.9	8.7
	Labor-force participation	74.3	77.8	75.4	71.5	68.3
Competitiveness	Growth competitiveness	<b>5.76</b>	5.66	5.35	5.41	4.54
	Scoreboard (USA=100)	82.6	79.4	82.7	70.2	52.0

Source: *Brooks & Hwong 2006*

ferences between the two countries does not explain why both are successful, or why there are plenty of successful Swedish-Finnish joint companies. It would be more appropriate to stress the similarities between Finnish and Scandinavian values in general. The long co-evolution with Sweden and the maintenance of the Nordic traditions (such as Lutheranism) even while being part of the Russian empire, were crucial for the development of Finnish culture and institutions. The role of the Swedish language is still significant. The co-existence of two linguistic groups and the large proportion of bilingual persons have been quite fruitful in the Finnish case. The solutions to the linguistic conflicts have been unique and relatively successful.

Another feature that has often been recalled is the strong position of women. This year we celebrate the 100-year jubilee of the full political rights of Finnish women (and men), and although the women of New Zealand were the first to get the right to vote, it should be remembered that it took several decades before they got the right to stand as candidates. In *The Wealth and Poverty of Nations. Why Some Are so Rich and Some so Poor*, the American economic historian David S. Landes underlines this factor, when he explains why certain cultures have not been able to develop.

*In general, the best clue to a nation's growth*

*and development potential is the role and status of women. ... The economic implications of gender discrimination are most serious. To deny women is to deprive a country of labor and talent, but even worse – to undermine the drive to achievement of boys and men. (Landes 1998, 412-413)*

There are several studies of early female emancipation in Finland. Already by 1905-07 almost a third of university students were women and today Finnish women are the most educated in Europe (Kalland 2003). According to the Human Development Report 2002, they also – together with Danish women – have the highest ratio of incomes in relation to men. Interestingly enough, Richard Lewis (2005) stresses the cultural differences between men and women in Finland. According to him they constitute two separate nations.<sup>6</sup>

<sup>6</sup> This observation is fascinating since it resembles the most popular Finnish cartoon couple, the responsible and enlightened ideal-citizen Viivi and the frivolous and inventive male-pig Wagner. When women work full time and take on the social responsibilities, men are allowed to be somewhat cranky, creative and venturesome. This fact could explain the high rates of male suicide, violence and irresponsible drinking on the one hand, and the achievements in innovative activities and sports on the other.



Table 6  
Social-performance indicators.

Dimension	Indicator	Finl	Nord	Angl	Cont	Medi
Well-being	Human development index	0.947	0.952	0.948	0.942	0.926
	Public social expenditures of GDP	24.8	26.9	17.4	25.7	22.4
Poverty	Relative poverty	6.4	5.6	12.6	8.0	13.4
	Child poverty rate	3.4	3.3	15.9	10.6	14.6
	Child poverty in single-parent household	10.5	9.2	45.2	29.6	25.7
	Poverty rate of elderly	10.4	9.2	13.5	7.5	22.9
Income-distribution	Net old-age pension replacement	78.8	66.5	47.4	76.2	89.2
	Relative income of disabled persons	83.0	86.0	67.0	85.8	68.9
	Gini coefficient	26.1	24.7	32.1	26.3	34.9
	Incomes of richest 10% to poorest 10%	<b>5.6</b>	6.5	12.4	8.1	11.4
	Ratio of incomes at 90th percentile to those at 10th	2.9	2.9	4.6	3.3	4.7
Health	Percent of GDP spent on health care	<b>7.40</b>	8.98	9.55	9.64	8.90
	Public expenditures on health	<b>5.66</b>	7.40	6.36	6.85	5.89
	Infant mortality per 1000 live births	<b>3.1</b>	3.5	5.5	4.3	4.3
	Low birth weight of live births	<b>4.1</b>	4.8	6.5	6.5	7.3
	Male life expectancy	<b>75.1</b>	76.2	76.2	75.6	75.9
	Female life expectancy	81.8	81.4	81.1	81.6	82.0
Unemployment	Long-term unemployed	24.9	19.8	17.5	42.7	46.8
Violence	Homicides per 100 000	<b>2.5</b>	1.4	2.2	0.9	1.1
	Suicides per 100 000	<b>21.0</b>	15.2	11.1	16.2	6.1
Self-realization	Sense of freedom	<b>86.7</b>	82.7	84.4	75.4	73.4
	Index of Economic Freedom	1.85	2.0	1.8	2.1	2.5
	Annual hours worked	1737	1550	1752	1478	1809
	Percent of population using cannabis	<b>2.9</b>	3.8	11.6	6.7	5.9
	Very happy	24.7	34.1	39.4	35.0	18.6
	Life satisfaction	<b>89.9</b>	88.0	86.7	85.8	78.2

Source: *Brooks & Hwong 2006*.

In their book on the Finnish informational model, Castells and Himanen (2003) also stress culture and national identity, but to them the role of the state has played a crucial role in forming the culture and national identity. The public sector has provided free education at all levels. And, the role of the state in the innovation-system has been, as noted above, crucial. The system of progressive taxes and universal social security redistributes incomes and thus mitigates poverty. Day-care and public social and health services have been relatively efficient, and have thus enabled women not only to work full-time but also to find jobs in the public sector.

The Finnish state has been archetypically developmental, and the relationship between the state and civil society has been close and built on mutual trust. This is probably the

result of Finland's location between two remarkably different historical powers, Sweden and Russia. A developmental state in close cooperation with civil society was a necessary condition for creating a Finnish nation sandwiched between them.

This leads us to the fourth factor behind the success-story of Finland: geographic historical position. The close cultural links with Sweden have facilitated Finnish emulation of Swedish technological and social advances. Before 1917 Finland stood in a special relationship to Russia, a fact that aided the export of processed goods to the Empire (especially to St Petersburg). A similar relation arose after WWII: Finland was then the only "Western" country that traded extensively with the Soviet Union. It was able to provide its eastern neighbour with a large range of goods, some of which

were technically quite advanced.

The peasantry managed to avoid serfdom both during the Swedish era and after 1809, when Finland became a grand duchy under the Czar. According to the Swedish constitution, the peasantry had constituted a “fourth estate” alongside the nobility, the clergy and the bourgeoisie. This constitution was adapted to the new situation when Finland was annexed to Russia. Thanks to the dominant Lutheran influence and to a nationalist movement that relied upon education as a major tool, the peasantry was largely literate. And, peasant ownership of the forests was shielded by the state. In the north-eastern parts of the country, with few peasants but with large, remote forest areas, the state controlled the resource.

Finland’s economy has been based traditionally on wood. An economy based on the extraction and exports of raw materials runs several risks. The source may be depleted or the price of the raw material may collapse due to changes in technology or consumption patterns. The stream of income from exploiting the natural resource may crowd out the development of other productive sectors. Politics in the country may focus exclusively on the dictates of the particular resource-sector and on the control over the income stream it enables. And, an extractive economy often misses out on the kind of learning-by-doing that an industrial economy normally experiences. The resource-extraction sector itself is liable to become dependent on know-how and machinery produced in the developed centre. Countries experiencing a combination of these risks may fall into an “extractive economy trap.” (see e.g. Bunker 2007)

Finland, however, has managed to avoid such a trap. Forests are a renewable resource. And they have a variety of potential uses: they have been an important energy-source; houses, tools and ships have been made of wood; and wood can be refined into necessities such as tar or paper. Cutting trees is best done in wintertime, when there are few other employment opportunities for a rural labour force. Forestry is therefore a good complement to farming. Peasant households were able to finance small investments and the education of their children by cutting and selling some of their forest. The well-organized forest-owning peasantry (involved in cooperative manufacturing based on wood) and the exporters of tar and of sawn products or paper jointly influenced the regulations concerning forestry. Instead of falling into a resource

trap Finland was thus able to use its forests in ways that promoted cooperation among independent producers and between those producers and the state.

### To learn from the Finnish case

If the reasons for the apparent Finnish success are complex and unique, then to try to copy it would be a mistaken venture. However, I do think there are some lessons to be learned from her experience:

- Development is strongly dependent on persistent characteristics such as geography and culture. Each nation must find solutions that fit its specific situation. You can learn from your neighbours, but you should not try to copy them. Even more, you should not try to implement a universalistic blueprint (such as Soviet type communism, Washington consensus neoliberalism or even the “Nordic model”).

- The character of the state is crucial. There needs to be a certain persistence that can take the shape of a conscious or unconscious “model.” In the Finnish case, the emphasis on “international competitiveness” goes relatively far back in time. Today’s system of innovation is largely due to state policies.

- Gender relations matter a lot. The welfare state, properly implanted, is an economic asset since it is a condition for the emancipation of women. The emancipation of women again is crucial for national economic development.

- Economic security is a precondition for dynamism “with a human face.” If workers and citizens feel that they have a certain economic security, even if the firm restructures, they are prepared to accept changes associated with new technologies or with international openness. They are also prepared to invest in education.

- To educate the whole population and to educate the educators well is a superior investment. Probably the main reason for Finnish success in education is that its teachers are more educated than in other countries.

- Sustainable conflict-solutions yield many advantages. Finland lies on the edge between two cultures, and has therefore had more than a fair share of conflicts. There have been, however, some good examples of conflict-solutions, such as: the liberation of the crofters, the treatment of the Swedish and Orthodox minorities, the integration of Communists, and consensual income policies.

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