

Controlled Restructuring in Finland?

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Introduction

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post-Fordist modes of regulation and the future of democratic corporatism.¹ Hopefully this study, in combination with studies on other experiences, can help us in formulating the agenda for more ambitious investigations.

Liberal and Social Corporatism

In his book on small states in world markets Katzenstein (1985) does not consider Finland. Had he done so, he would have discovered a country that almost fully exhibits all of the three distinguishing characteristics of democratic corporatism: an ideology of social partnership and national consensus, concentrated organizations making formal and informal agreements on a national level, and a continuous process of bargaining between political parties and organizations concerning economic policies.

During the 1960s an ideology of social partnership and national consensus on first foreign and then economic policy was established. Even the relatively strong Communist Party was integrated into the political community, and entered the government in 1966. Through the reunification of the trade-union movement a concentrated system of interest groups was established. Finally, the maturing of an 'income-policy mode of government' ensured a system of continuous bargaining between all important interest groups, of formal and informal co-ordination of conflicting objectives between capitalists and workers, farmers and state bureaucracies.

One institutional factor reflecting and promoting democratic corporatism in Finland has been the strong minority protection in the political system. As in the seven countries studied by Katzenstein, the electoral formula is proportional representation, but both on the national and the local level a majority of two-thirds is needed for a smooth imposition of new laws and taxes. This has favoured large coalitions and broad compromises. No single party, not even one bloc to the Left or to the Right, has been able to dominate the political scene.

According to Katzenstein's classification of countries into liberal and social corporatism, Finland would have to be placed in the latter group, consisting of Denmark, Norway and Austria. Its industry has been weaker and less internationally oriented than that of Switzerland, The Netherlands, Belgium or Sweden. The relative strength of the Finnish labour movement has, however, been smaller than in the other social-corporatist countries. On the one hand Finnish capital is highly concentrated and well organized, and on the other the labour movement has been divided between the Social Democrats and the People's Democrats.

The Finnish state has traditionally been interventionist, giving a high level of protection to agriculture; strongly promoting industrialization both indirectly and directly through the establishment and expansion of state

companies; participating formally in the income-policy settlements; and supporting the expansion of a national system of education and health services. This also conforms to the mode of social corporatism. The labour-market policies have, however, been less ambitious than in Sweden, and the levels of the social benefits are still much lower than in its Scandinavian neighbours. Finland has corresponded more closely to the variant 'national adaptation and public compensation' than to the variant of 'global adaptation and private compensation'. The mode of bargaining has been tri-lateral rather than bilateral. Both characteristics are typical of social corporatism.

In some aspects Finland did, however, differ from the general pattern of 'democratic corporatism'. Despite the general consensus and the predominance of Centre-Left governments, the level of strike activity, especially of wild-cat strikes, used to be substantially higher than in the other seven countries. Also, the Finnish economy was less open to foreign capital and firms. The relatively large proportion of trade with the Soviet Union, carried out on a bilateral and relatively centralized basis, has also given Finnish corporatism some peculiar features.

Flexibility and Restructuring

Since the Second World War Finland has gone through two rapid and comprehensive structural transformations. The first was immediately after the war, when 400,000 refugees from Karelia had to be resettled, when the war reparations to the Soviet Union and reconstruction implied a substantial broadening of the industrial base, and when the build-up of the social-security system accelerated. The second occurred during the 1960s and early 1970s, when there was a substantial liberalization of foreign trade, a rapid diversification of the large industrial firms and the Finnish economy as a whole, and an exodus from the peripheral regions, spilling over into a massive emigration to Sweden. This second transformation was linked to the establishment of the 'income-policy mode of government' and of a more mature democratic corporatism.

It is possible to give two opposite interpretations to these post-war developments. One is to stress the continuity of the broad political coalition established after the 1936 elections, and to interpret the adaptations to the dislocating transformations as an outstanding achievement of an already established national mode of democratic corporatism. Another possibility is to see the political events in a more dramatic light, which hardly fits the theoretical framework of an established democratic corporatism. It would presumably be difficult to describe or explain the processes in terms of 'reactive, incremental and flexible adaptation'; they were too overwhelming

and costly.² Seen in this light the post-war developments up to the late 1960s are best interpreted as a process of maturation of 'Fordism' and small-country democratic corporatism in a semi-peripheral capitalist country.

The situation in the 1980s is different. National consensus and incremental change has become the order of the day. The need for 'a strong man' as president has been considerably reduced. Adaptation to internal and external pressures and shocks can take place in a more relaxed political climate, and it is possible to discuss reforms which would contribute to a smoother and less costly restructuring of the economy. The term 'flexibility' is best applied in a context, not of rapid and almost fatal structural transformation, but of adaptation to new challenges in an otherwise relatively stable and predictable system. That is perhaps why the discussion on flexibility has become prominent in Finland today. It should be recalled that the stable economic growth in Finland of the 1980s has been associated with less structural changes in manufacturing than in most OECD countries. The increases in production and exports have mainly been a result of winning larger shares in markets, where earlier, Finnish exports had already held a strong position (OECD 1988, 40–43).

The Shift to the Right

Finnish politics has traditionally been dominated by four strong parties: the National Coalition Party (Kansallinen Kokoomus/Nationella Samlingspartiet, a Conservative party), the Centre (Keskusta/Centern, earlier the Agrarian Party), the Social Democratic Party (Suomen Sosialidemokraattinen Puolue/Finlands Socialdemokratiska Parti) and the People's Democratic Union (Suomen Kansan Demokraattinen Liitto/Demokratiska Förbundet för Finlands Folk, of which the Communist Party constitutes the most important part). There are several other smaller parties, but the governments have always been built around these four main forces. Since the late 1930s most governments have been of a Centre–Left 'red-soil'-coalition type, dominated by the Centre Party and the Social Democratic Party. From 1966 up to 1982 the usual coalition was the so-called 'people's front', including the Centre, the Social Democrats and, as a junior partner, the People's Democrats. From 1982 until the end of April 1987 the Centre Party and the Social Democrats constituted the government, together with the populist Rural Party (Suomen Maaseudun Puolue/Finlands Landsbygdsparti) and the bourgeois Swedish People's Party (Svenska Folkpartiet/Ruotsalainen Kansanpuolue).

During its long opposition-period the National Coalition Party had gradually increased its electoral support, and in the parliamentary elections in March 1987 it was able to raise its share of the votes and especially of the

seats (from 44 to 53 out of a total of 200 seats). Because of the split inside the Communist Party and of the generally declining support for the Left, the representation of the People's Democratic Union went down from 27 to 16. The orthodox Communist minority under the label 'Democratic Alternative' (Demokraattinen Vaihtoehto/Demokratiskt Alternativ) received four seats.

The considerable shift to the Right in combination with the general fatigue and personal rivalries inside the old Centre-Left coalition, made it evident that any new government would include the National Coalition Party. The Social Democrats, however, refused to participate in a government with both the big bourgeois parties. The Centre Party opted for a bourgeois government, but was outplayed with the help of the president, Mauno Koivisto. On 30 April a government led by Harri Holkeri (Conservative) consisting of eight Social Democrats, seven Conservatives, two from the Swedish People's Party and one from the Rural Party was nominated. This historically new coalition was labelled 'Red-Black' by the opposition, but preferred to call itself 'Blue-Red'.

In one sense this solution carried on the tradition of governments enjoying support from both socialists and non-socialists, and it was clearly the intention of the president and the coalition partners to continue the policy of broad economic and social consensus. On the other hand the new coalition symbolized the urban south against the rural north, those who would stand to gain from a rapid economic restructuring *vis-à-vis* the groups threatened with marginalization, the 'juppies' versus the 'juntties'.³ The central goal proclaimed in the government's programme was '*controlled restructuring*'.

'Controlled Restructuring'

According to the programme the essential goal of social and economic policies was to 'favour a controlled restructuring and to mitigate the troubles connected with the restructuring'. The main forces requiring a deep structural transformation were described as increasing internationalization and the coming of the 'knowledge society'.⁴ The restructuring was conceived to be necessary in order to maintain the international competitiveness of the industry. In its programme the government stressed the need for 'a flexible productive activity, an increased ability to adapt and a many-sided production'. It is also stated that the government would try to favour restructuring by the use of general economic-policy instruments, and by directing resources towards the development of non-material resources, i.e. research and development, education and marketing. On the other hand, restructuring was to be facilitated by selective means directed towards

individual localities that were negatively affected by it. As such means have been listed 'retraining and further education, securing the mobility of the factors of production, a flexible labour policy, and special arrangements for mitigating local problems' (Regeringens statsförslag för år 1988, A 15).

In comparison with earlier programmes the aim, the strengthening of the international competitiveness of Finnish industry, is unchanged. There are, however, certain accentuations which are more prominent, such as the emphasis on labour mobility, education and re-education, research and development. The two main reforms promised by the government were a reform of the industrial relations (requested by the Social Democrats) and tax reform (requested by the Conservatives).

In the following I will shortly review the proposals and policies in six different fields: competition policies, industrial relations, income policies, the financial market, the tax system and the organization of the public sector. In each case I will try to look at the aspects related to flexibility. Based on this scanning through of the different fields I will address the question concerning the whole. Is a new and more flexible mode of regulation being established in Finland?

Competition Policy

The stated aim of the government has been to strengthen market competition as the main instrument of social regulation. A state committee dealing with price and competition policy had been appointed already by the outgoing government, and its report was published shortly after the general elections. The liberalization line adopted by the majority in the committee was rapidly endorsed by the new government, which proposed a new law on restrictive practices. It replaces several earlier laws dealing with restrictive practices, price control, price marking and competition authorities. The proposals were met with some criticism from trade unions and consumer protectionists, because they are based on the assumptions that the free market by itself will keep prices under control, and that there is small need to enforce competition with the help of state control. However, it was taken through Parliament without much opposition.

The new law abolishes the earlier practice of price ratifying for certain goods by a price-controlling authority. The regulations concerning the marking of prices have been liberalized. The only means of controlling prices that is left is the possibility of the government decreeing a general price stop for four months. The former legislation allowed for more selectivity. The new law does not explicitly prohibit agreements between the producers concerning, for example, prices or market division, although there is an improvement in relation to earlier practice, as firms are no

longer allowed to seek damages for the breaking of such agreements. Mergers that lead to a dominant market position must be registered, but there are no possibilities blocking them as long as it is not proved that the strong market position is misused. A competition council will have the right to judge whether a certain restrictive practice has harmful consequences, and in such a case prohibit it. For the first time, the financial sector is included in the general regulation of competition.

The spirit of the new law is thus liberalization, since it gives the authorities very limited possibilities of intervening in order to control particular prices and to regulate competition practices. It reduces the possibilities of including price controls in the income-policy agreements, a practice that has helped to wrap up social and economic package-deals on the national level.

Agriculture is the most protected and subsidized sector of the economy. The government has adopted the guidelines of the 'Agriculture 2000' committee, which has made up a programme for reducing the surpluses and export subsidies. The idea is to reduce production, in particular of milk and eggs, by periodical decisions in connection with the application of the agricultural income law. On a whole, however, agricultural policies are not supposed to be changed. The perennial problem of how to curb production and to decrease the cultivated area, and at the same time keep up the incomes of the farmers, has not found any new solutions, at the same time as pressures to liberalize imports are building up.

The transport sector is being liberalized on a European basis, and therefore the Ministry of Transport – rather symptomatically – has been looking for means to support the livery-stables with tax reductions and fuel rebates.

The financial support to firms that is now given by many public funds and institutions is to be revised and simplified according to a working-group report from the Ministry of Trade and Industry. The fund set up for the disadvantaged regions (KERA) is supposed to extend its activity to the whole country. The State Guarantee Office and the Development Fund for small and medium industry could be disestablished. The responsible minister was, however, not satisfied with the results, and a new working group was set up in order to find out 'if it is possible, by joining existing institutions, to create a new integrated whole, the purpose of which would be to improve the accessibility of risk finance and company services'.

Already the outgoing government was selling parts of the state's industries to private companies. The new Minister for Trade and Industry proposed that five big state companies would be introduced at the Stock Exchange. He stressed, however, that privatization was not the aim of this operation.⁵ The intention was to facilitate the gathering of private capital in order to support the expansion of the companies. The five firms listed were Valmet (paper machinery), Veitsiluoto (paper), Kemira (fertilizers),

Finnair (airlines) and Outokumpu (mining). All of these, except Veitsiluoto, have a dominant position on the Finnish market, but are very actively extending their activities abroad. The state has also sold its half of the shares in Telenokia (producing telephone exchanges) to its partner Nokia. The firm originally started as a state company.

The government is planning to give a private company, Datatie, the right to compete with the public Post and Tele-office in transferring information between computers in the long-distance network.

Reforming Industrial Relations

A reform of industrial relations have been most prominent in the work of the new government, since the main precondition for Social Democratic participation was the inclusion of a comprehensive 'working-life'-reform in the programme. The reform package proposed by the trade unions (both industrial workers and salaried employees), concerned notice rules, re-education, employee representation on the boards, employee funds, working-time rules and work-protection rules.

The reform package did, however, become a quagmire for the Blue-Red coalition. Several deadlines were set up: before the end of October (when the metal workers union elections were held – and the Social Democrats almost lost control to the People's Democrats), before the end of the year, and before the end of February (when most collective agreements expired). The impatience on both the side of the employers and the employees was building up, and the relations between the National Coalition Party and industrial capital became quite strained.

The question that gave rise to the strongest irritation concerned the notice rules. The government proposed different measures that would give the employed early information on matters that affect the employment situation (e.g. planned layoffs, large investments, mergers, etc.) The employers would also have to discuss measures (transfers, re-education) to avoid mass dismissals. The argument of the employer organizations against improving the collective notice protection was that this would decrease flexibility and stand in conflict with the market system. The unions, and the government, argued that the participation of the employed in the restructuring process could make it less conflict-ridden and therefore smoother.

The result was only a partial gain for the trade-union side. A new law establishing a more tight co-operation between the employers and the employees on matters related to part-time work, dismissals, replacements and education has been adopted. Consultations on the firm level of all plans affecting employment in the future are made obligatory. Decisions

on new investments or the change of ownership of the firm are to be made only after such consultations. However, after the consultations the company management is free to make the decisions it wants.

The government has also carried through some other reforms. The possibilities for parents of small children to reduce their working time to 6 hours a day or 30 hours a week has been approved. The possibility for 'flexible working time' has been extended to all employed, but both the employer and the local trade union must accept the arrangements before they can be implemented. Unions and employers have already made agreements concerning a more flexible working time in several branches, inter alia, in the metal industry. The prohibition against night work for women has been abolished.

A government committee unanimously proposed a system of voluntary working-place funds. This proposal has now been adopted. A share of the profits can be funded and every employee will have a personal share of the fund. The funded money can be invested in the employing company, but it can also be invested in other ways. The incentive to establish working-place funds has been improved by changed taxation rules. Employee funds can also be set up in order to finance re-education programmes. A corresponding committee for the public sector has been appointed.

The government delayed the full implementation of the employment law enacted by the outgoing Parliament. According to this law the communes would become obliged to employ unemployed young people, and people being unemployed for more than one year. The reason given for the partial delay was financial, although it is obvious that some of the consequences of the law, especially the tying of young people to their native communes, were resented by a large part of the government.

Flexibility has been a key word for the rethinking of labour-market policies. The Ministry of Labour has arranged seminars, the focus of which has been flexibilisation, and reports from the OECD have been used as the base for national discussions on ways of improving labour-market flexibility. In general the representatives of the trade unions have taken a defensive stand towards the demands for increased flexibility, but they have not tried to launch any campaign against the new tendencies. A reshuffling of the Ministry of Labour has been made in order to put more emphasis on geographical and occupational mobility, as well as targeted support to communes hit by large layoffs.

A very recent but potentially important plan to integrate education for all youngsters (16–19 years old) after their completion of the comprehensive school has been put forward by the Ministry of Education. This could mean a step in the direction of reducing the difference between theoretical and practical studies, and if successful could increase the polyvalence of the labour force, an important aspect of labour flexibility.

The Fate of Incomes Policies

Since 1968 the corner-stone of Finnish economic policies has been the yearly or two-yearly central income agreements. They have usually included a broad range of topics concerning social policies, working-time regulations, taxation, price policies, etc. These central agreements have then been applied first at the branch level, where they become juridically binding, and then on the firm level. If the wage rises on the lower levels considerably overshoot the original intentions, the response has often been somewhat stricter monetary policies, under the auspices of the central bank, which has kept itself aloof from the formal central agreements.

During the 1980s the procedures have, however, become less comprehensive and less generally assented. In 1980, for the first time since the 1960s, and again in 1983, no central agreement was reached.

Both the unions and the government aimed towards a centralized income-policy agreement to be concluded before the end of February 1988. The employers' side had, however, flagged for more decentralized negotiations. The tactics of the employers' organization and the inability of the government to make clear proposals concerning the planned tax and industrial-relations reforms, ended in a situation where no central agreement could be reached. The decentralized agreements turned out to be expensive for the employers, and so they were more than ready to participate in a new stabilization agreement already in September of the same year. The agreed wage rises for 1989 were to be very modest, but compensated for by income-tax reductions. However, this time a considerable part of the trade unions refused to comply with the settlement.

The change towards more decentralized agreements suggests an ongoing undermining of the 'incomes political mode of government'. This undermining has been explained by two factors, the increased internationalization of the firms and the change towards less standardized jobs (Pohjola 1988). However, the government is still committed to central incomes policies, although it has divested itself of some of its instruments for participating in the regulation of the national economy.

A move away from corporatist agreements on the national level will probably lead to less rather than more wage flexibility in relation to the employment situation. Studies of the Finnish experience show that wages, as well as employment, have adapted relatively rapidly to external shocks, thanks to a high degree of corporatism (Tyrväinen 1988).

Further Liberalization of the Financial System

During the whole of the 1980s the money and financial systems in Finland have changed towards internationalization and liberalization. This process

has been going on under the supervision of the Bank of Finland. Key features of the recent changes have been:

- the emergence of an unregulated short-term money market;
- the international integration of the Finnish financial system as a consequence of the internationalization of the banks and the big companies and of the liberalization of capital movements;
- changes in the monetary-policy targets and instruments towards utilizing more market-oriented measures;
- increasing real interest rates;
- the breaking up of the cartel agreements concerning deposits and loans between the banks;
- the establishment of a secondary market for certificates;
- the fast increase in the share market, and the establishment of a market for options.

One remaining 'imperfection' relates to the variegated tax system, which favours certain types of deposits, loans and capital incomes. The tax reform has tried to deal with these. Another relates to the remaining capital-export controls. These are gradually being removed, partly as a consequence of the line-up for '1992'. The strident liberalization of international capital movements in Sweden during 1989 has increased the pressures towards deregulation in Finland.

The problem of flexibility in the money market, which was a real one when there was a high degree of regulation and rationing, has already been changed into a problem of too much 'flexibility' in the form of speculative money being transferred from one market to another. Recently the Bank of Finland has become more explicitly concerned with the risks involved in the liberalization of the financial markets (Kullberg 1989), and some of its measures may be interpreted as an effort to re-regulate the financial markets.

The 'Great' Tax Reform

The government programme promised a great tax reform for 1989. The point of departure was that all incomes should be taxed equally, that the tax-deduction jungle should be cleared up and that the marginal taxes should be reduced in all income classes.

However, the increasing pressures from special-interest groups forced the government to give up one possibility extending the tax base after another. The belief of the pessimists that the 'great tax reform' would only mean a certain shift from direct to indirect taxation in order to finance a reduction of marginal income taxes proved to be rather well-founded. As

to the unification of the taxation of capital incomes the government was more successful. The decision to tax selling gains more effectively did materialize, and was preceded by a surge in the selling out of family firms.

The major change introduced in business taxation was the adoption of the imputation system, according to which the corporations have to pay income tax on the dividends they distribute, whereas shareholders will be credited in full in personal taxation for the taxes already paid by the companies. This will make it more difficult for corporations to avoid paying income taxes, which they have generally been able to do using loopholes in the former system.

Flexibility in relation to the tax system is a tricky matter. On the one hand 'neutrality' and 'fairness' are aims that would increase flexibility in the ways incomes are earned and the wealth is held. However, treating all forms of incomes equally may not be possible without stricter controls, and it deprives the government of the possibility of using the tax system for directing production, consumption and the distribution of income in a selective – and therefore in a sense flexible – manner.

Flexibilization of the Public Sector

A theme cherished by the prime minister has been to extend the restructuring to the public sector both as an aim in itself and as a means of supporting the overall restructuring. He declared that 'old public-sector structures would be battered down, and that the development of the private sector would be favoured' (from a speech, 12 May 1987). I have already mentioned some measures related to the state companies that have been inspired by the market-privatization-flexibility discourse. In this section I will briefly mention some other measures which fit the same pattern.

The outgoing government had already brought about a reform of the law concerning civil servants. The intention of this law was to render the employment conditions more uniform, and to increase flexibility in public administration. The new government has been occupied with implementing it, and in several cases the rewriting of the decrees for the different offices has provided an opportunity for enhancing administrative flexibility by eliminating detailed prescriptions.

The possible opening hours for public services have been extended into the evenings.

The government wanted to increase the number of civil servants belonging to the 'golden pig club' from 50 to 1,200. Those belonging to this exclusive club are considered to represent the employer-side versus the employees, and their wages are individually set by the Ministry of Finance. After trade-union pressures the amount was, however, reduced.

The railways are going to be turned into a public-business company by 1990. They are then supposed to compete with other transportation companies on an equal footing.

The customs administration is being decentralized and wage setting will become more flexible.

The Ministry of Education has decided to increase the unspecified support for research to the universities, at the same time as it has tried to bring about an administrative reform giving the rectors the right to share out these unspecified resources.

The government has started an experiment with so called 'free communes'. The regulations concerning the activities of the communes and the system of state support are quite complex today. The experiment has given a dozen communes the right to allocate the state support rather freely. One aspect of the experiment concerns wage setting that would become less centralized. The union of the communal employees therefore has shown anxiety as to the implementation of the experiments. The same union has also tried to resist the scaling down of public employment, especially in construction works and cleaning services.

Towards a Finnish Mode of Social-Liberal Corporatism?

As this overview shows it is easy to find policy measures in all fields that correspond to a liberalization-flexibilization pattern, well-known in other countries. The systematic nature and the speed of implementation of these measures have increased with the establishment of the Blue-Red coalition. But does this mean that we can distinguish a new coherent mode of regulation, a transition from one kind of social corporatism to a new more liberal form of corporatism?

According to Pekka Kosonen (1988, 156-157) there has been no coherent and controlled structural change in Finland, not even during the Blue-Red government, despite all its proclamations. There has been no effort by politicians or researchers to establish different options and to pursue one of them consciously. The direction of change has been seen as given, and the only problem as one of speed. It is possible that his verdict is correct, but before accepting it, one should try to collect the different bits and pieces and see if they possibly make up a new pattern. One reason for doing this is that the development of the Finnish economy has been both fast and stable throughout the 1980s. Is this largely due to fortunate external conditions (better terms of trade, the way of financing the imports of oil from the Soviet Union, etc.), a view which both Kosonen and I shared in the collective Nordic study (Mjöset 1986), or has Finland been stumbling

upon a set of institutions, which can constitute a new and stable regime of 'post-Fordist' accumulation?

Some observers (e.g. Lovio 1989) believe it to be possible to perceive a breakthrough of a new information-industrial network economy in Finland. A new set of technologies and institutions, largely corresponding to the descriptions of different post-Fordist visions, seems to have emerged during the 1980s. Not only the proportion of industrial workers, but their absolute numbers, have been falling since 1979. The increase in investments has almost totally been directed towards non-material investments in research, marketing and training. New forms of enterprises – concentrating on development, programming, marketing, financing, etc. – new technological centres joining local industry and research, and imaginative technological policies,⁶ are changing the picture of Finnish industry, increasing the role of network relations in relation to traditional hierarchical and market relations.

Is it possible that we are witnessing the transformation of the traditional concentrated corporatist mode of government into something that can be described as a *two-tiered corporatism*, with a weakening, but still quite crucial, incomes-policy mode of government on the macro-economic level, and a continually improving co-operative flexibility on the level of production and innovation?

New technologies and consumption patterns, the intensification of international competition and the liberalization of the financial markets have reduced the effectiveness of traditional Fordist macro-economic regulations. However, they can still be used with some success in a small state, which has maintained a high degree of coherence in its national productive system. This, I believe, is true for Finland (Andersson 1988a, 1988b). Thus, on the macro-level social corporatism can still constitute an essential component of the Finnish mode of regulation. The attacks against the central incomes policies and against the power of the unions have been relatively weak. The construction of the welfare state has continued slowly but progressively. Privatization and commodification of publicly produced services have only occurred at the margins.

At the same time the instruments for improving co-operation between different public institutions, private and state-owned firms, and the employees organized at the branch and firm level, have become more sophisticated. As the direct intervention of the state in the decisions related to investments and pricing has been reduced, different state and para-state institutions have strengthened their capacity to act as stimulators of technological innovations, as partners in education and training, and as a fire brigade in solving local problems caused by major layoffs. The reforms of industrial relations and the stimulus to new working-place funds has to

be seen as an effort to involve the employees in a continued process of change and innovation.⁷

In Finnish industry, as elsewhere generally, the working methods and organization are changing. Much more attention and resources have to be given to the formation of a skilled and flexible workforce, which must be able to take on more responsibilities. The old Tayloristic forms of work organization, relying on tight control from above of semi-skilled workers, are becoming obsolete both as a consequence of new technologies and of the expectations of the workers themselves. This pushes the firms to adapt new forms of co-operation between organized groups. At the same time stable relations, networks, between users and producers, between non-material and material production, are gaining in importance relative to traditional hierarchies and market relations. This networking demands new forms of micro-corporatism, setting rules and creating facilities for regular relations between agents that until now have had only disordered contacts (e.g. industry and universities). The need for such 'micro-corporatisms' will probably increase with the ongoing processes of deregulation, fragmentation and internationalization.

On a small-country national level the traditional concentrated corporatist solutions may be challenged both by local and international developments, but as yet there is no substitute for national organization, since the development of European institutions will be painfully slow and inadequate. National democratic corporatism must therefore adapt itself to the new situation. The national organizations will have to find new roles and instruments. There will most likely be a further concentration into even bigger national trade unions, coupled with more power being transferred to the local and firm levels.

If the direction is towards such a two-tiered corporatism it would mean the preservation of much of its 'social' – national – aspect, in combination with the development of a more 'liberal' – decentralized – aspect, through the market liberalization softened by improved co-operation on the local and firm level. Is it possible to develop and maintain this two-level corporatism, without destroying the effectiveness of one or even both of them? Must flexibility, i.e. adaptability, be achieved mainly through one or the other logic? Has Sweden possibly been an example of such a combined social and liberal corporatism already for a long time?⁸

I do not think that the Blue-Red coalition has any clear vision of how the Finnish variant of democratic corporatism should be developed. At the moment of writing (summer 1989) it looks as if its reformist fervour had receded to a low point. However, it certainly would like to promote flexibility and co-operation on the local and firm levels, without relinquishing the traditional means of creating national consensus and broad solutions too much. The combination of market liberalization with support

for co-operation on the firm level and efforts to maintain national incomes policies, all in order to achieve competitiveness internationally, is a hallmark of the Blue-Red coalition. Whether it is possible to maintain this combination in the future is open to debate. It may turn out that the flexibility and co-operation sought on the micro-level will erode the traditional mode of macro-flexibility on the national level.

NOTES

1. Fordism is a concept used in order to describe a certain mode of capitalist development. It is characterized by the dominance of large-scale production of durable consumer goods, such as cars and standardized housing, and of the concomitant establishment of institutions and policies (collective wage agreements on a national scale, Keynesian macro-economic policies, development of the welfare state, etc.) suited to the maintenance and expansion of demand for these products. Usually Fordism is also related to American hegemony after the Second World War. The outbreak of the crisis of global Fordism is situated around 1968-73. Researchers in this tradition have been looking for signs of a new mode of regulation of a 'neo-Fordist' or 'post-Fordist' type (Boyer 1986; Andersson 1988c).
2. Dramatic events, which hardly comport with a stable democratic corporatism, were the intense rivalry between Social Democrats and Communists over the trade unions, the general strike of 1956, the split of the Social Democratic party and the trade-union movement shortly afterwards, the 'night-frost' government of 1958 established against the will of the president, and the launching and the disintegration of the 'Honka-front' against the re-election of Kekkonen in 1961.
3. The statement must be modified by the fact that the small Rural Party rather represents 'the small people'. In the Finnish jargon a 'juntti' is a person with typically traditional national characteristics: a steadfast and hard-working person, who hopes, at best, that God will be neutral in his or her case.
4. In Finnish the term 'tietoyhteiskunta' literally means 'knowledge society', but the term is also used in translating the international term 'information society'.
5. However, in a speech only one year later the same minister, Ilkka Suominen, who is also leader of the National Coalition Party, stated that he wanted the next government to privatize the state-owned industrial companies (*Hufvudstadsbladet* 2 February 1989).
6. Especially TEKES, a centre for technological development responsible for broad technology programmes established in 1983, which is described by Lovio as a central force in the development of the new information technology.
7. There already exists a tradition of *consensual adaptation* to new technologies in the Finnish context. Trade-union structures do not support workers' occupational identities and clear occupational boundaries are also avoided in the recruitment practices of the firms. Thus, unions have been willing to support modernization efforts of management. In the pulp-and-paper industry the union has enforced a contract since 1968, stipulating that a local agreement must be reached on wages to be paid before a major change in the working conditions is implemented. Despite the strong position of the paper workers, consensual adaptation has been the dominant approach (Koistinen and Lilja 1988).
8. If so, this could be a reason for Katzenstein's difficulty in locating Sweden in either the social- or the liberal-corporatist category.

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- Andersson J. O. 1988a. 'Kansainvälistyminen, yhdyntyminen ja tuotannolliset järjestelmät' (Internationalization, integration and productive systems), *TTT-Katsaus* 3.

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