

A Farewell to Neoliberalism?

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The past fifteen years have been a dynamic era for Finland. The contrast with the rest of the post-war period is considerable. In Finland as elsewhere, the deregulation of the financial markets started a series of developments that eventually led to a reduction of public control over markets – though not complete abolition of control – with competition emerging as the key issue.

The severe recession of the early 1990's, during which GDP went down by over 10%, forced the whole of Finnish society to have a hard think about some basic questions: Just how important is economic growth? And how can it be achieved? How should employment issues be dealt with? What kind of a public welfare system can the country afford?

During the recession, Finland had a politically right-wing government. The reversal of the recession into an economic upswing was not the only challenge that government faced; it was that same government that steered Finland very swiftly into full membership of the EU. Since the mid-90's, the country has been run by what is referred to as a 'rainbow' government, with the political left being represented as well as the Conservatives and the Greens. The success of this kind of coalition is interesting even from an international point of view, and can be attributed to the fact that all the political parties represented in it – the Reds and the Greens included – are, in effect, politically pastel shades only, with the Conservatives being fairly subdued Liberals.

From repairing the damage caused by the recession, the Government has now gone on to controlling economic growth. Unemployment, however, is still high, as a residue of the recession and pre-recession structures. During the years of economic crisis, Finland's public sector debt had risen dramatically. Since then, the amount of debt as a percentage of GDP has dropped from its previous record levels. This is partly due to the fact that the government has

been able to pay back part of its debt, but also to a significant increase in GDP.

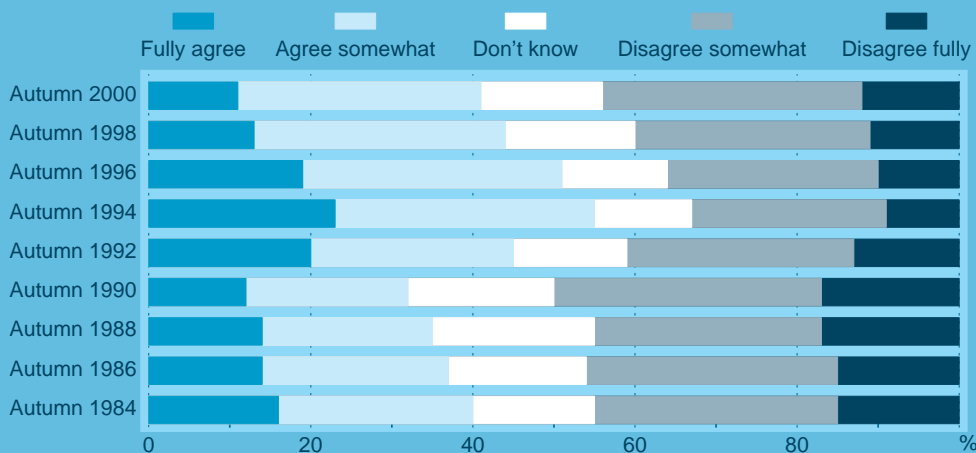
Finnish people's attitudes and opinions have played a significant role in the country's current success. As consumers, workers and voters, people are driven by what they know and what they think. Even if we were to take people's subjective opinions to be merely a kind of affective syndrome rather than the outcome of strictly rational analyses of the circumstances they live in, those attitudes must be taken seriously. People's reactions and the social views they reflect are a reality, and have an impact on the larger reality even if they are not based on that. This is something that both businesses and political parties are up against when they solicit customers and supporters. There are a variety of ways in which people's feelings and attitudes affect society as a whole, directly or indirectly – how well it functions, how proactive it is, people's desire to work, and the degree to which people believe in their society, the goals they set for themselves, and their plans for the future.

Economic Growth is Desirable When it is not There

First figure (on the next page) shows how Finns feel about the relationship between economic growth and continuing welfare. As we can see from the figure, people want economic growth in periods of non-growth, and tend to be increasingly sceptical about it during periods of continued growth.

If we examine these attitudes demographically, we can see that gender, age, and education are significant background factors. Finnish men value economic growth more than do Finnish women, and the older the respondent is, the more is (s)he likely to value growth. As educational levels increase, however, belief in the importance of economic growth tends to go down. Roughly six out of ten (58%) of people

”The only possible basis for people’s continuing welfare is economic growth”



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with a university education disagree with the statement in the figure.

Of course, it does not matter at all whether the statement is true or false from the point of view of economics. What changes in attitudes and opinions tell us is the degree of support that Finnish people are giving to various decisions.

Great Desire for a Welfare State

Nearly 50% of GDP is still accounted for by public sector expenditure. Debt has grown, but employee numbers have gone down. In 1990,

the public sector employed a total of 575 000 people, but in 1999 no more than 555 000. Transportation is an example of a public sector employer which, due to increasingly being split down into independent business units, now employs far fewer people than before. Although it is true that the public sector employs fewer people now than before the recession, there has been an increase in employees after 1993. Even more interesting is the structural change that has taken place after the recession: less employees in health and social services but more in educational services.

The question can also be looked at from another perspective: If we exclude from social expenditure various social benefits like unemployment, housing, and welfare benefits which tend to fluctuate with general economic conditions, we can see that the remaining social expenditure has actually grown in real terms. In fact, in real terms, public spending is going up at an annual rate of 2%.

In spite of these developments, Finland has, since the recession, had a lively discussion about government policy. An alternative to a welfare state has emerged: a welfare "society".

Changes in the Amount of Employees in Public Sector

	Health and social services, %	Education, %	Public sector (total), %
1990-1999	-5.9	3.5	-3.2
1990-1993	-9.6	-4.8	-7.2
1993-1999	4.0	8.8	4.3

By this we mean that the public sector no more produces a full range of services itself, as the funding of services is separate from their production. Indeed, in real terms, the Finnish public sector already now buys a significant number of services from the private sector. Discussion of these alternatives can be traced back to the recession, and the need to cut costs, which was then very much in the forefront of all public debate. In addition, EMU criteria have also created strict budget controls, with resulting tight limits on public sector spending. This, too, is still often referred to.

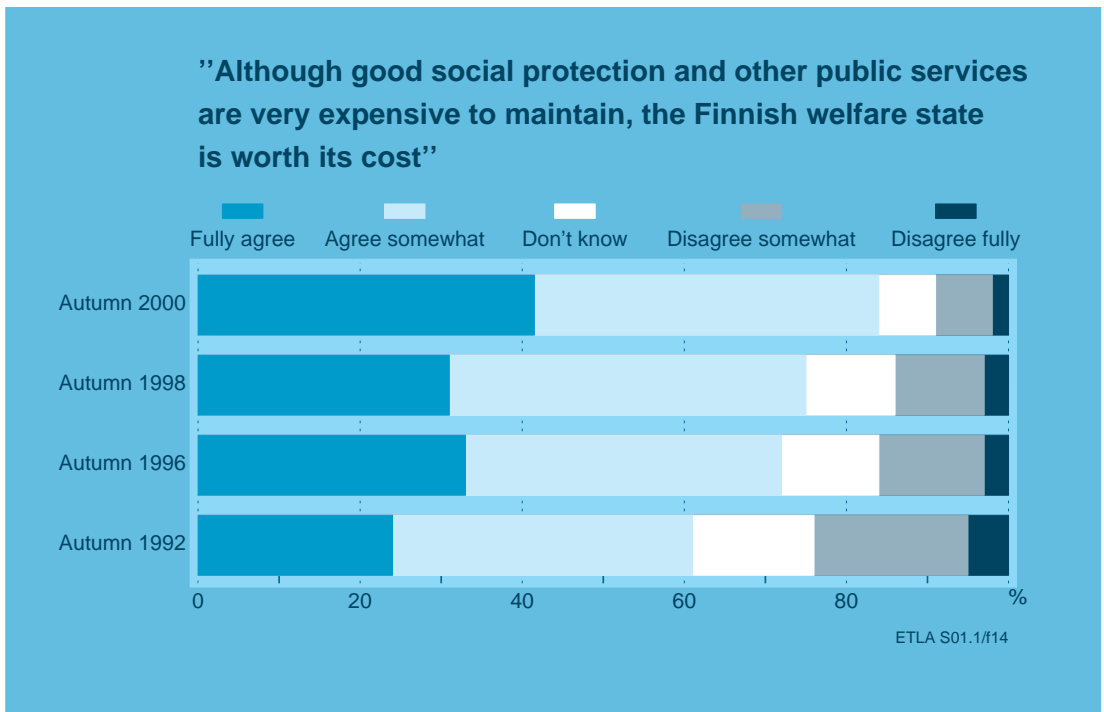
Finland's EU and EMU membership meant that Finnish social protection became an issue for public discussion and debate. Those who were sceptical about both were particularly keen to point out the negative, even completely destructive, impact that both memberships would have on the welfare state. The pro-EU lobby, on the other hand, argued that social protection was a national issue, and that the EMU criteria were in accordance with generally accepted, sound economic criteria, which should anyway be observed, whatever the situation.

The discussion has ranged from dissolution of the welfare state and making people responsi-

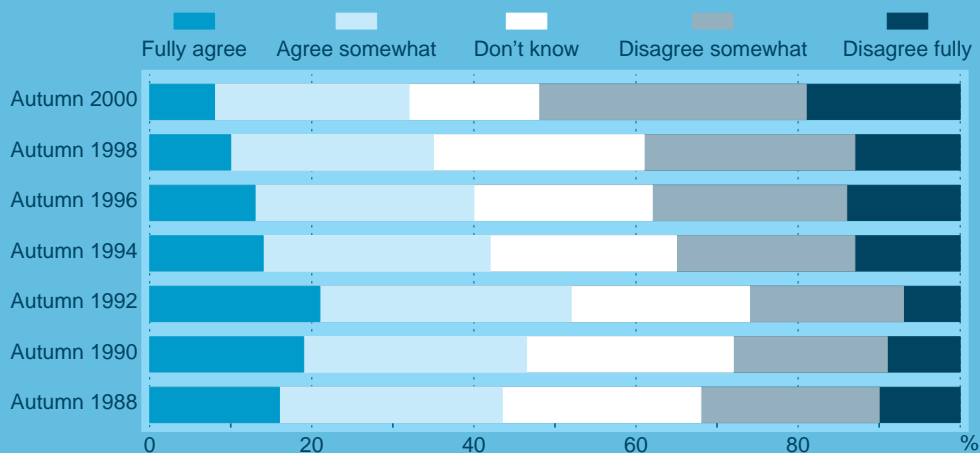
ble for their own welfare, through insurance cover options, to deterioration of public sector services – particularly in the care of the elderly, health care, and road maintenance. In the early 1990's, the Young Finns political party was created. The party's main aim was to find a partial alternative to the traditional Nordic welfare state. In the election of 1995, the party got two Members of Parliament. Now, the party has ceased to exist. There has been more talk of the dissolution of the welfare state than there have been any actual decisions made.

Against this backdrop, developments in people's attitudes and opinions are very interesting. The next two figures illustrate Finnish attitudes towards public services financed by tax funds. The vast majority (85%) agree that, although it costs a lot to maintain a high level of social protection and other public services, the Finnish welfare state is nevertheless worth its cost. In every opinion poll carried out since the recession, the percentage of people who think along these lines has risen from an already high level at the first polling.

This trend has been particularly conspicuous in the past two years. In all demographic groups, appreciation of the welfare state has



”To produce better services overall, a big proportion of public services should be privatized”



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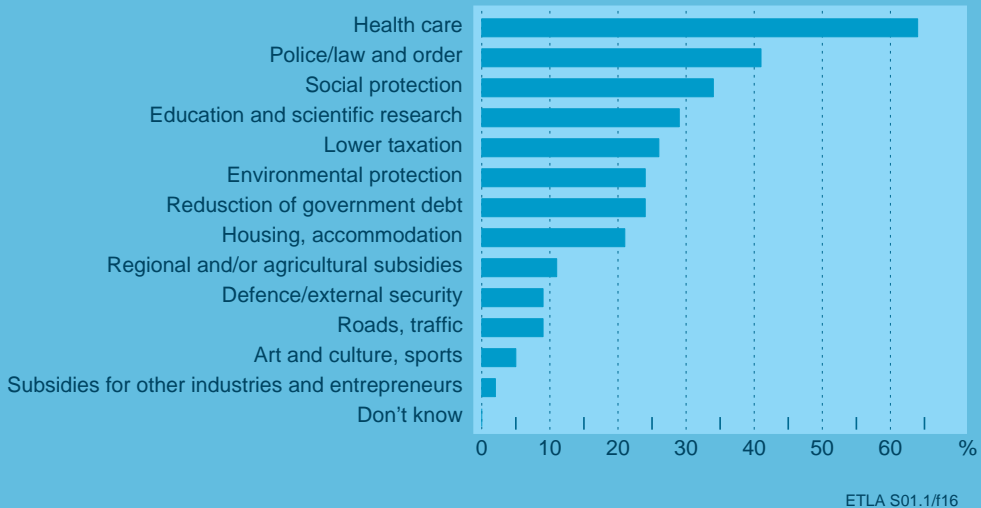
gone up. The increase is particularly big in the groups which previously were sceptical – like, for example, people within the age group 21-30 years, those with a university education, business executives, and entrepreneurs. The opinion of people with a university education is particularly interesting as it is this group which tends to be above average in its scepticism about the importance of economic growth.

The survey also examined attitudes towards the privatization of public services, with the aim of achieving improved services. This, of course, involves looking at the issue from the opposite point of view. During the recession, when people, in general, were prepared to look for new options for survival, one in two (52%) thought privatization was an interesting option. Only 26% disagreed. The current lengthy economic upswing has not, it seems, been accompanied by an increasing market orientation; quite the contrary, the number of supporters of privatization is now down to one third (32%), and more than half oppose it – 53%, to be exact. The last two years, in particular, have seen a significant change in views on privatization. The change is roughly the same in all demographic groups.

Whenever we see a change in the thinking of all demographic groups, we can justifiably generalize and speak of a change in the overall opinion climate. In that situation, we can no longer interpret the change merely as the less or better off groups distancing themselves from the others. An addition to the overall picture is the finding obtained from our survey that people do not seem to prioritize reductions in public sector debt or taxation as options for developing the public sector (figure on the next page).

In this respect, health care is clearly seen as the most important issue. This is interesting, as, supplementing the public sector health and medical care system, Finland already has a well functioning private health care sector, particularly in the form of health care schemes provided by employers. The past few years have seen very real cuts in health services. As people take health care to be the most important area in the public sector, public opinion is very sensitive in its reaction to any cuts. Next in rank after health care come internal security, and social protection. In this comparison, people even take education and scientific research to be

”The most important developmental targets in the public sector (ranked among the top three)”



more important than lower taxation and lower government debt.

The survey contained questions on how people viewed education and the focus that there should be on the sector. The strong importance that people seem to give to the welfare state is reflected in the fact that roughly four out of five (79%) agree with the statement that the global success which Finland is now enjoying is largely based on Finland’s high quality, egalitarian educational system. In fact, in our survey, the public educational system gets a clear vote of confidence. Very few want private sponsorship or tuition fees for schools, to say nothing of partial privatization of the educational system. On the other hand, as education is not top-ranked in public sector priorities, it would seem that people are somewhat reluctant to invest greater amounts of public funding in education.

A close look at developments in people’s attitudes and opinions in the era following the recession of the early 1990’s reveals that we cannot bid farewell to neoliberalism, simply because at no time has neoliberalism been wel-

comed. We cannot even consider the political decisions that have been made in Finland as neoliberal; they have merely been highly pragmatic remedies for recession, and it is only public discussion which has linked them with ”neoliberalism”. This interpretation is supported by the fact that, as previously pointed out here, welfare state expenditure, in real terms, is on the increase.

Is the Welfare State a Part of the Finnish Identity?

Had there been a referendum back in the early 1960’s on whether people wanted a welfare state that would be accompanied by a 45%-50% rate of taxation, Finland would probably never have created a welfare state. Now, although people think it is expensive, they nevertheless think it is worth it. It is no exaggeration to say that Finns have grown accustomed to a welfare state which has grown inch by inch. In turbulent periods, it represents security. For the bulk of the people, an equivalent feeling of security is not offered by risky and as yet unknown markets.

It is worth noting that, according to a survey on bribery in different countries made by Transparency International in 2000, Finland emerged as the country the least prone to bribery. That kind of "privatization" of the welfare state and administration, therefore, does not exist in Finland – for Finns, this is taken for granted; Finland has a trust-based infrastructure, which serves to increase feelings of certainty and security.

For Finns, any increase in social inequality is a powerful source of conflict. This can be seen clearly both in individual opinions and in overall regional opinions, and the time scale covers both past and future social developments. Particularly strong feelings are evoked by conflict and inequalities between the rich and the poor, the well educated and the less educated, and the growth centres and rural centres. A markedly powerful mental vision is of Finland as a country of equality, where the children of both rich and poor families sit next to each other at school for 12 years, in increasing numbers of cases.

People seem to consider it important to maintain an idea of national identity – "Finnishness" – through a feeling of belonging together. This thinking is also reflected in Finnish attitudes towards foreigners. Most Finns think that all that immigrants want is to grab their share of the Finnish high standard of living and social security. These opinions reveal two facts: Firstly, they indicate that Finns are not used to having immigrants among them; after all, Finland's population is the most homogenous among EU countries. Secondly, people seem to think that they have had to make great sacrifices to create their welfare state, and, in the wake of public discussion of the need for spending cuts, there seems to be a general feeling that even among our citizens there isn't enough to go round.

One is tempted to think that the welfare machinery created by the public sector is not only an economic issue; it is part and parcel of Finnish identity. If that is the case, any arguments focusing on efficiency are powerless in the face of strong emotional attitudes. Although, of

How the Survey Was Carried Out

This survey is the ninth in a series of studies which The Centre for Finnish Business and Policy Studies (EVA) started up in the mid-1980's. During this time, a survey has been made every two years. Data obtained have increased cumulatively; at the moment, the number of respondents comes up to 21 000. The methodology of the surveys has remained the same.

The data for the current survey were gathered between November 21, 2000 and January 18, 2001, by a posted written questionnaire. The number of respondents was 4500, randomly chosen from among the 18-70 year old age group.

The posting resulted in 2214 analysable questionnaires. The rate of response was 49.2%, which has to be considered satisfactory, bearing in mind the nature of the sample, the scope of the survey, and the way it was carried out. The research data are representative and correct in structure. The main demographic, social and regional factors correspond to those in the whole population. The results have not been weight adjusted.

At the level of the whole data, the margin of error for the outcome is 1-2 percentage points, depending on the shape of the distribution (ie the size of the percentage obtained).

The study was commissioned by EVA and carried out by Mr Peter Ekholm, LicL, and Mr Pentti Kiljunen, MSc (Yhdyskuntatutkimus Oy). As with previous studies, Yhdyskuntatutkimus Oy was responsible for the field work and statistical analysis of data.

course, no direct comparisons can be made, it would seem to be interesting that the appreciation of "Finnishness" has undergone the same sort of development as has appreciation of the welfare state: ever since the recession, both have been rising steadily.

This article is based on "Eri-laisuksien Suomi", a comprehensive survey of Finnish attitudes published by the Centre for Finnish Business and Policy Studies EVA, in 2001. For details of the survey, see box at the end of this article.