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The Making of the Welfare State in Finland

Pauli Kettunen

Abstract

With good reason, the success stories of Europe's northern periphery commonly point out the active role and strong legitimacy of the nation-state in the making of the so-called Nordic model. Coping with the tension between the international economy and the national society was the nexus of the politics shaping the nation-state as a welfare state. This also applies to the discourse on Finland's path from poverty to welfare. However, Finland was, even in intra-Nordic comparison, a latecomer in urbanization and industrialization as well as in social policies and industrial relations. Structural changes began late but were very rapid. Finland appears to be a good case not only for comparative historical analysis but also for recognizing comparative and historical reflexivity as an integral dimension of national politics. The present chapter underscores the importance of the Nordic framework of international comparison, communication, cooperation, and competition for the formation of the welfare state in Finland. Since the 1990s, welfare policies have been revised through reinforced emphases on competitiveness and security. However, in present-day Finland, political rhetoric reflects the strong support of the welfare state among ordinary people. "Rescuing the Nordic welfare state" is a popular argument for a wide range of policy objectives, including the cuttings of social spending.

Keywords: welfare state, Nordic, periphery, conflicts, consensus, universalism, income security

2.1 Introduction

"There is no automatic connection between growth and the lack or elimination of absolute poverty," the German development researcher Dieter Senghaas concluded in the early 1980s. What was required was a combination of world market integration and an internally consolidated national economy. This was most successfully demonstrated by "the Scandinavian development path," especially "Finland's remarkable development" between the late 19th century and the 1980s. A

constitutive factor was the formation of national political, economic, and cultural identity as well as "considerable political control over domestic and external economic processes, in order to prevent export growth from making society more oligarchic and producing a sort of rentier capitalism" (Senghaas, 1985, 71–94).

The success stories of Europe's northern periphery, such as the one told by Senghaas, commonly point out the active role and strong legitimacy of the nation-state in the making of the so-called Nordic model. With good reason, this also appears in the discourse on Finland's path from poverty to welfare (Ojala et al., 2006). However, Finland is rarely seen as a typical example of a Nordic pattern of change and reform. While all five Nordic nation states—Denmark, Finland, Iceland, Norway, and Sweden—are different forms of "a model with five exceptions" (Christiansen & Åmark, 2006), Finland appears to be an especially exceptional one.

The Finnish specificities most often referred to in Nordic welfare state histories include, firstly, that Finland was, even in intra-Nordic comparison, a latecomer in urbanization and industrialization as well as in social policies and industrial relations (Christiansen & Markkola, 2006). Historians have emphasized that structural changes began late but happened swiftly (Koponen & Saaritsa, 2019). Secondly, those labelling the Nordic welfare state as a social democratic project have had reservations concerning Finland and Iceland, recognizing that the social democracy in these countries never achieved such a political hegemony as it did especially in Sweden and Norway (Castles, 1979; Christiansen & Markkola, 2006). A third specific aspect of the Finnish case is the role played by internal and external conflicts - including the Civil War of 1918 and the two wars with the Soviet Union during World War II - in the shaping of national experiences, practices, memories, and narratives (Kettunen, 2018).

For a study trying to avoid the trap of exceptionalism, the case of Finland might inspire the development of a comparative perspective. On the one hand, all Nordic countries, including Finland, share institutional and ideational features with other small Western European states that have been highly dependent on world markets and exposed to crises and conjunctures (Katzenstein, 1985). On the other hand, many Finnish specificities are associated with the country being one of the nations that achieved sovereignty through the collapse or transformation of the multinational Eastern European empires at the end or in the aftermath of World War I (Alapuro, 1988).

However, Finland is a good case not only for problematizing the frames of reference employed in comparative historical analysis but also for recognizing the importance of comparison as an element of the activities that created the welfare state. Not only researchers but also the actors under scrutiny have made comparisons. Comparing 'us' and others and relating 'our' experiences to our

expectations—that is, comparative and historical reflexivity—are constitutive aspects of social action. "Comparative imagination" (Fredrickson, 2000; Sluga, 2004) played an integral role in the building of nations as "imagined communities" (Anderson, 1983). In the 19th century, the agency of a nation was incorporated into the modern view of history as development and progress. While having an own unique history was a core element of being a nation, nations in general were conceived of as the agents of world history. Connected by their economic, cultural, and political rivalries and interdependencies, nations lied were in different stages of development. This spatialized and temporalized view of world history and world order became an active part of nation building and the making of the welfare state, most notably when it was associated with a "peripheral" and "latecomer" self-image, as it clearly was in Finland (Kettunen, 2011).

Coping with the tension between the international economy and the national society was crucial in the politics shaping the nation-state as a welfare state. Comparative and historical reflexivity was an integral dimension of this politics. In what follows, the historical formation of the Finnish welfare state is examined from this angle. The current chapter highlights the importance of the Nordic framework in the making of Finland as a nation-state and a welfare state. This framework has been used for international comparison, communication, competition, and co-operation in various fields of social knowledge and for constructing a national identity and national institutions.[1]

2.2 The peripheral gaze towards the centers of modernization

Sweden lost its Eastern provinces in the Russo-Swedish War of 1808–1809, which was linked with the Napoleonic Wars; they were reshaped as the Grand Duchy of Finland under the Russian Empire. In the 19th century, the Grand Duchy developed into an autonomous nation-state. In the borderlands of the Russian Empire, old Swedish legal and religious (Lutheran) institutions and traditions persisted, utilized by and intertwined with the new Finnish nationalism that was long compatible with the Russian imperial interest of promoting the separation of Finland from Sweden.

In the loyal Grand Duchy of Finland, the old Swedish four-Estate Diet (composed of nobility, clergy, burghers, farmers) was re-introduced in 1863, the year of the Polish uprising against the Russian Empire that led Poland to lose its autonomy. Space for political debate and civic organization opened up in the 1860s. "The people" emerged in the debates of educated elites as a target for education and "national awakening" and as the source of political legitimacy. Conflicts tended to be shaped as struggles for the right way and the privilege to speak in the name of "the

[1] The chapter draws heavily on my earlier works, especially Kettunen, 2001, 2006a, 2011, and 2018.

people." This was evident in the controversies between the so-called Fennomans and the so-called Liberals from the 1860s onwards concerning the role of language, culture, and constitution in the making of the nation; it was also characteristic of later political conflicts concerning the right ways to defend Finland's autonomy and to handle social class divisions (Alapuro, 1988; Klinge, 1993; Pulkkinen, 1999).

The state was the central agent in the integration of Finland in expanding industrial capitalism as it was in other Nordic countries, too. The interest of the bureaucracy in increasing the revenue of the state motivated market-promoting reforms, and the political and economic elites adopted a state-centered image of a national economy that, since the 1860s, had its own currency, customs, and state railways. Economic reforms in the 1860s and 1870s, removing mercantilist privileges and regulations, created preconditions for market integration through commercial agriculture and the rise of the wood processing industry.

The reforms also gradually induced the principle of a free labor market. Accordingly, the *Bill of Poor Relief* was revised in 1879 in accordance with the liberalist work-discipline spirit of the *English Poor Law* of 1834, imported to Finland via the *Swedish Bill of Poor Relief* that had been revised a few years earlier (Satka, 1995, 19–27). Poor relief as well as sick care were included in the tasks of municipalities that in 1865 were separated from the parishes of the Lutheran church. However, at the time, Finland was a poor rural country in which extreme natural conditions imposed major economic constraints. The last nation-wide famine in 1866–1868, and associated diseases killed approximately 150,000 people, about 8% of the population (Häkkinen & Forsberg, 2015).

From the second half of the 19th century onwards, international comparisons, oriented towards modernization as "the horizon of expectation" (Koselleck, 1979), became integral to the way the educated elites analyzed society and defined socio-political tasks. It was considered important to learn from both the solutions and mistakes of these countries so as to be able to exploit "the advantages of backwardness" (Gerschenkron, 1962, 356–363). It was a question not only of imitating the 'more civilized' countries but also deliberately attempting to anticipate social problems by taking on board experiences from them, above all from Germany, to a somewhat lesser extent from Britain and, in matters relating to labor efficiency, the United States. One may characterize this mode of thought and action as the avant-gardism of the intellectual elite of a peripheral country. For this pattern of thinking, the outside world provided a framework of external preconditions and constraints, hopes and threats, impulses but also alarming ideas, models but also unpleasant examples, and points of reference but also limits as to what was possible.

A good example is a series of articles which appeared in 1874 and which placed "the labor question" on the Finnish political agenda. They were written by Yrjö Koskinen (Georg Zachris Forsman), one of the foremost leaders of the "Fennoman" faction of the Finnish nationalist movement. Koskinen argued that efforts should be made to forestall threats to social stability by examining Finnish conditions "from a European perspective," i.e., by trying to learn from what was happening in those countries that were more highly developed than Finland. Koskinen's articles also showed that both the threat, socialism, and economic system that provided a breeding ground for socialism through its inherent conflicts between capital and labor were perceived as international phenomena (Kettunen, 2006a, 40–42).

Many ideas and impulses were transferred to Finland via Sweden, but it was only in the 1930s and especially after World War II that Sweden was seen as representing the forefront of modernization. Nevertheless, contact with Sweden and the established forms of intra-Nordic communication in different fields of social knowledge since the late 19th century made "Nordic" embody an active, future-oriented peripheral perspective towards the varying centers of modernity.

Representatives of all groups with professional knowledge or aspirations to professional status travelled abroad in the late 19th and early 20th centuries with the support of the Finnish government and their professional organizations. In this regard, the close connection between professionalization and the consolidation of the Finnish nation-state was of great importance (Hietala, 1987, 1992). The *national* mission to which these professional groups were dedicated was to acquire, through their *international* contacts, *transnational* (e.g., technical, medical, hygienic, socio-political, etc.) knowledge to be in a position to identify—on the basis of a comparative perspective—opportunities for applying this knowledge in a domestic context.

Such a mode of action and thought led to contradictory tendencies. Political rhetoric sometimes stressed Finland's backwardness in the same breath as there was a strong tendency to describe current conditions as a projection of anticipated modernization, and in this way to exaggerate the existing level and speed of the country's modernization. A long period often elapsed between the definition of a social problem and its solution, with the help of imported ideas on the one hand and the practical application of these definitions and solutions on the other (Kalela, 1989).

However, as early as the 1880s and 1890s—when the far-from-democratic system of the Estates still operated and there was no proper labor movement— two in principle important acts were adopted: the *Act on the Protection of Industrial Workers* (1889), which established the institution of factory inspection, and the *Workers' Compensation Act* (1895). Finland was not a laggard when it came to the statutory regulation of industrial work; indeed, it was not even a latecomer among the

Nordic countries. Thus, for example, the adoption of a special female factory inspectorate was launched in Finland in 1903, ten years earlier than in Sweden (Kettunen, 1994, 32–91).

At the turn of the 20th century, the consolidation of Finland as an autonomous political, economic, and cultural unit openly collided with the reinforced Russian effort to promote stronger administrative unity of the Empire. However, imperial integration policies temporarily lost much of their force as the Empire was weakened by its defeats in the Russo-Japanese War of 1904–1905. In connection with revolutionary turmoil in Russia, a breakthrough of mass politics and the labor movement took place in Finland. After the General Strike of 1905, representation through the Estates was suddenly replaced by the most democratic representative system in Europe. Although restricted by the re-established authority of the Emperor, after 1906, Finland had a political system based on a universal franchise that included women (Jussila, 1999, 79–91).

National integration with its economic, political and cultural dimensions (Alapuro 1988, 92-110) greatly contributed to the development of class conflicts. The nation, as an imagined community, provided socially subordinated groups with criteria for the critique of prevailing circumstances and with a frame of reference in which they could politically interpret and generalize their local experiences of injustice. In one of the most rural countries in Europe, one of the largest (in relative terms) labor movements emerged by succeeding to create an alliance between urban workers and rural landless workers and tenant peasants.

The discourse of the "social question" included several "questions": a "labor question," a "tenant question," and a "landless population question." Controversies between the Socialists and the bourgeois parties were evident, yet social policy reforms were—in varying ways and with divergent intentions—included in the programs of all parties. Laws concerning labor protection, the regulation of labor relations, and unemployment funds were legislated by Parliament (*Eduskunta*) before World War I. However, very few of these policies were actually implemented as the Parliament's legislative power was restricted by the authority of the Russian Emperor, who frequently refused to confirm acts.

2.3 The Civil War and the strategies of national integration

Finland did not directly become a battlefield of World War I, yet through the connection with Russia, the war greatly affected the economy, society, and the state. It was experienced as the extended presence of Russian military units; restrictions on civic activities by martial law; the reorganization of industrial production to serve the needs of Russian warfare; large fortification

works and associated labor mobility; and vast unemployment after the end of these works. Inflation accelerated, and finally, there were food shortages. The declaration of Finland's independence in December 1917 and the Civil War from January to May of 1918 took place in connection with World War I and the Russian revolution (Alapuro, 1988; Upton, 1980).

After Russia's February revolution in 1917, two major political questions emerged. One was the question of what body would assume supreme authority after the Emperor ceased to rule, and the other concerned the organization of the coercive power of internal order and security after the replacement of a police force that had been largely "Russified" in previous years (Alapuro, 1988). Closely linked with different phases of the Russian revolution, these two unresolved questions gave impetus to mass mobilization and conflicts, resulting in a confrontation between two armed political forces that emerged in a weakly coordinated fashion on the basis of the earlier established class-based political divide.

After the October revolution, the achievement of full national sovereignty became an urgent issue for all Finnish parties. For the Social Democrats, a decisive factor was that the Bolsheviks, now in power, had been the only party in Russia that had declared willingness to approve Finland's independence, whereas, among the bourgeois groups, the fear of Socialist revolution urged for separation from Russia. In December 1917, Finland was declared independent and the Bolshevik government recognized this independence. This did not, however, prevent the escalation of political confrontation into a full-scale Civil War at the end of January 1918, with the left forming the Red Government and assuming revolutionary power.

The Red Guards, a poorly trained army with hardly any military expertise, received arms from Russia and were assisted by Russian soldiers, yet the withdrawal of Russian troops from Finland continued and the peace treaty between Soviet Russia and Germany in March 1918 further diminished this source of support. The White Government in turn received support from Germany, which sent to Finland a first-rate military unit, the Baltic Division, which played a significant role in the last phase of the war. On May 16, 1918, a victory parade of the White Army marched through the city of Helsinki. Among the 38,000 casualties of the Civil War, 75% were on the Red side.

Despite the counter-revolutionary outcome of the Civil War, Finland was, by the constitution of 1919, established as a parliamentary republic. Again, this solution had its antecedents in international transformations. The alliance of the White winners with the German Empire lost its basis when Germany not only lost World War I, but the Empire itself was also dissolved through revolution. In Finland, the parliamentary form of democracy persisted throughout the 1920s and 1930s, even though it was threatened and limited by right-wing pressure, especially in the early

1930s. The persistence of democratic forms of government made Finland exceptional among the new nation states created through the collapse of multi-ethnic empires at the end of World War I. Any explanation of this exceptionality must recognize that Nordic political traditions played a crucial role in Finnish nation-building.

The outcomes and memories of the Civil War became an integral part of social, political, and cultural structures. To the White winners, the free landowning peasant symbolized the White army as the antithesis of the harmful Red alliance between urban workers and the rural landless population. A free independent peasantry constituted the ideological center around which "social peace" had to be "rebuilt" and defended against the threats associated with the collectivism of wage workers (Kettunen, 1986, Ch. 6). Based on previous plans, land reforms were carried out rapidly after the Civil War. These reforms made tenants into land-owning, small-scale farmers and facilitated the colonization of the landless rural proletariat. The mode of thought and action according to which social peace should be rooted in political democracy and an independent freeholder peasantry as the core of the nation was especially characteristic of the Agrarian Party, which in the 1920s gained a powerful position in the political system.

However, efforts to foster national reconciliation after the Civil War also included legislative reforms concerning industrial working life. Together with the Social Democratic Party that was reorientated under the leadership of reformist socialists, politicians and civil servants representing social liberal traditions took up earlier plans of regulating individual employment contracts and collective interest conflicts. Inspiration was taken from the International Labour Organization (ILO), founded in 1919 as an autonomous part of the League of Nations, and from the established Nordic social policy cooperation (Petersen, 2006; Kettunen, 2013).

The act of establishing an 8-hour workday was an achievement of the labor movement in the revolutionary year of 1917, and even though employers managed to postpone its implementation, the norm was widely in practice by the start of the 1920s. In the early 1920s, the Parliament passed acts on employment contracts, collective agreements, and the mediation and arbitration of industrial conflicts. These reforms were meant to facilitate a shift towards the comprehensive regulation of labor relations by collective agreements between trade unions and employers. Nevertheless, this vision was not realized prior to World War II, as employers—especially in the wood processing and textile industries and other manufacturing sectors—successfully adhered to a policy rejecting collective agreements while utilizing repressive, ideological and paternalist company welfare means against the influence of trade unions. The ideology that made "the will to work" of the independent

farmer the foundation of social peace provided ideological legitimization for the policies of industrial employers (Kettunen, 1990).

Labor law reforms were not costly. A much more expensive social reform—also urged for by the integrative conclusions drawn from the Civil War—was compulsory education. The act was passed in 1922 and increased the responsibilities of municipalities, in which decision-making had been democratized by the legislative reform of 1917. The new *Bill for Poor Relief* of 1922 included more modest changes in municipal practices. Taxation was reformed in the early 1920s at the state and municipality levels, and the state level taxation bill of 1920 established the progressive taxation of income at the state level following the law of 1920 (Lindberg, 1934; Linnakangas, 2015).

Discussion on and planning of social insurance had begun in the 1880s, but before the 1920s, only workers' accident insurance had been introduced (1895) and extended (1917). The first act regulating and facilitating voluntary funds was passed in 1897, with a focus on sickness. In 1917, an act permitting voluntary unemployment funds established by trade unions was passed, the origin of the so-called Ghent system in Finland. In post-Civil War debates on options to extend social insurance, the relative priority of sickness insurance and old-age insurance became an issue of dispute. While the sickness insurance of wage workers was the first priority of the Social Democrats, the Agrarian Party disliked social benefits that were targeted only at wage workers and put old-age and disability insurance before sickness insurance. After much debate, the Old-age and Disability Insurance Scheme was legislated in 1937 after compromises between the coalition partners of the new government: the Social Democrats and the Agrarian Party. An act on sickness insurance was not enacted until 1963 (Kettunen, 2001b).

After the abortive revolution, the Finnish labor movement was divided between Social Democrats and Communists. The Communist Party was illegal until 1944 and its leaders, the former leaders of the Red Government of 1918, lived in exile in the Soviet Union. Most were killed in Stalin's purges in the late 1930s. In the 1920s, Communists and their sympathizers had, nevertheless, opportunities to act in public labor organizations, most notably in the trade union movement in which they had the leading position in the 1920s, even in the Parliament. In 1930, those categorized as Communists were excluded from public political life. In terms of electoral support, the Social Democratic Party was still the largest political party in Finland in the 1920s and 1930s. However, in different ways, both major wings of the labor movement were preconditioned by the post-Civil War regime, which did not provide a favorable context for comprehensive political projects that would include less than the achievement of a socialist society but more than single piecemeal social policy reforms.

The Social Democrats could not attain the leading position in defining the political agenda in the manner that occurred in Denmark, Sweden, and Norway in the 1930s. This remained true after World War II. The Social Democrats faced the Communists as their fierce rivals in the labor movement after the Civil War and still more after the end of the Continuation War in 1944 and the rise of Communism into a major political force. The Agrarian Party (from 1965 onward, it was known as the Center Party) played an influential role in the political system and in social policies after World War II as an opponent and coalition partner of working-class parties. Agricultural policies were closely connected with social policies; these two kinds of policies partially represented competing views on the problems of social order. Until the 1960s, the power of cultural conservatism still reflected the heritage of the counter-revolutionary White victory of 1918, a continuity that was far from totally broken by the post-World War II political shift.

2.4 Nordic democracy

Reflecting the class structures and drawing on the experiences of the Great Depression and the expansion of fascism in Europe, in the 1930s, politics in Nordic countries were reoriented by the force of new class compromises. These included political coalitions of Social Democrats and agrarian parties and – true, in Finland only after World War II – the consolidation of the practice of collective negotiations and agreements concerning industrial labor markets. The compromises implied a shared confidence in a positive-sum game between conflicting interests and were supported by theoretical arguments for the possibility of virtuous circles between the objectives of economic progress, social security, and broadening democracy within a national society.

While the compromises indicated an ideational change, they were related to the old international discourse on the tension between the international economy and national society (Kettunen, 2006a). They deviated from the justifications of capitalism, according to which a capitalist economy would produce market-based and company-level solutions to the social problems it had caused. The compromises also deviated from the critique of capitalism, arguing that capitalism would generate the force (i.e., the revolutionary working class) that would overthrow it. Other arguments stemming from the 19th-century discourse on the "social question" were put into practice in the Nordic class compromises (Kettunen, 2006a).

According to an old argument, social policies were needed to diminish the threat of class conflicts caused by the international capitalist economy. Notwithstanding, the feasibility of reforms was questioned by claiming that they would weaken the nation's economic competitiveness. This view,

in turn, faced counter-arguments. One of them was advocating for international social norms that would be binding for all competing countries and firms. Another way of solving the tension between national society and the international capitalist economy appeared at an early stage in the discourse. It claimed that national social policies would in fact support the success of the national economy by improving the quality and productivity of labor power and by increasing purchasing power. This argument for social policies played an important role in the 1930s Nordic class compromises and the associated reorientation of economic policies.

In Finland, the Great Depression did not result in the adoption of new contra-cyclical economic policy views as it did in Sweden, Denmark, and Norway. This is an obvious difference regardless of the fact that in these countries (even in Sweden), the practical significance of the "active crisis policy" (Möller, 1938)—including the "new employment policy"—was limited (Gustafsson, 1993). The coalition of the Social Democrats and the Agrarian Party in Finland after 1937 was not an outcome of conclusions drawn from the Great Depression to the same degree as the corresponding earlier solutions in other Nordic countries. Nor did the Finnish political coalition prove to be a similar step for the Social Democratic Party to attain a position of dominant political power, although its electoral support in the late 1930s almost reached the "Scandinavian" level. One element of the Nordic class compromises was strikingly absent in Finland in the 1930s as Finnish employers (especially in the manufacturing sector) were still able to maintain a policy of opposing collective agreements with trade unions.

In addition to the class compromises and the new confidence in a positive-sum game, an orientation called "social rationalization" or "social engineering" is often referred to as another Nordic novelty of the 1930s (Hirdman, 1997; Andersson, 2006). To the extent that this orientation appeared in Finland, it was less shaped by social democracy than it was in Sweden. In Finland, as elsewhere, the leaders of the labor movement shared a deep trust in the need to rationalize the economy and society (and the possibility of this occurring). However, the role of the labor movement was rather marginal in defining the agenda of rationalization; there were no preconditions for active social democratic visions of social engineering like those of Alva and Gunnar Myrdal in Sweden (cf. Hirdman, 1997).

The Great Depression, accompanied by a wave of right-wing politics, contributed to the rationalized treatment of poverty and the poor in the spirit of preventive criminal law, including a more systematic social categorization and intensified and centralized social control. These were crucial features in the new acts on social care in the mid-1930s concerning children in need of protection,

vagrancy, and alcoholics as well as in the related *Act on Sterilization* (1935), which in itself was far from exceptional in the Nordic context (Satka, 1995, 101–104; Mattila, 1999).

"Nordic" was adopted as an attribute of Finnish society, but its meaning was a matter of political struggle, partially concerning the position of the Swedish language in Finland but also stemming from the Civil War. In the White heritage of the Civil War, "Nordic" was associated with the idealized tradition of the free Nordic peasant and local community, whereas for the Social Democrats, "Nordic" in the 1930s began to represent democracy in contrast to authoritarian regimes and also in contrast to the prevailing state of industrial relations in Finland. The concept of Nordic democracy, as it was defined in the co-operation of the Nordic Social Democrats in the 1930s (Kurunmäki, 2011; Kettunen et al., 2015), included a combination of parliamentary political democracy and institutions of collective negotiation and agreement in labor markets. In the 1930s, Finland's social democratic trade union leaders argued that Finland was a Nordic society but did not fulfill the democratic criteria inherent in the term "Nordic" (Kettunen, 2006a, 56–59).

In any case, for the development of the notion of Finland as a Nordic democracy, the coalition of the Social Democratic Party and the Agrarian Party in the late 1930s was important. The Scandinavian-type coalition of "the worker and the farmer" crossed the line between the Red and White heritage of the Civil War and contributed to national integration and the stabilization of parliamentary democracy, although the limits of democracy were marked by the illegality of the Communist Party until 1944. The so-called Nordic orientation of Finnish foreign policy in the late 1930s became associated with the concept of "Nordic democracy," a way defining Finland's position in a world of threatened democracy and the increasing danger of war.

2.5 The legacies of the Second World War

Finnish responses did not meet the demands the Soviet Union made in Autumn 1939 after the Molotov-Ribbentrop Pact and the British and French declarations of war on Germany after its invasion of Poland. With the Soviet invasion of Finland on November 30, 1939, the war later called the Winter War began. The Finnish resistance proved stronger than Stalin had expected, both militarily and in terms of national unity. The Winter War ended with the Moscow Peace Treaty on March 13, 1940. Finland had to cede one tenth of its territory and a naval base to the Soviet Union. The population of the ceded territories about 410,000 Finnish Karelians, or 12% of the total population of 3.7 million was relocated throughout the rest of Finland.

After the Winter War, Finnish political decision-making was influenced by further Soviet pressure, fears caused by the Soviet annexation of the Baltic countries, and wishes of recovering what had been lost in the Winter War, partially inspired by visions of right-wing nationalists about a Great Finland that would extend to Eastern Karelia that had never belonged to Finland. Finland gradually moved closer to Germany, and in late June of 1941, Finland was again at war with the Soviet Union.

The war was described as the Continuation War, implying that it was a defensive continuation of the Winter War with a distinctly Finnish-Soviet rationale, yet Finland was now in fact allied with Nazi Germany and contributing to Hitler's Operation Barbarossa. After the German defeat at Stalingrad, Finnish political and military leaders began to seek a way out of the war, and the powerful Soviet offensive in June of 1944 urged for a solution. In September, an armistice treaty was signed between Finland, the Soviet Union, and the United Kingdom, which in 1941 had also declared war on Finland, without subsequent military action. A most urgent obligation of the treaty was expelling German forces from Finland. The so-called Lapland War began in September 1944 and ended in April 1945 when all German troops had withdrawn.

The control commission of the Allies, dominated by the Soviet Union, controlled the implementation of the treaty of armistice until its conditions were confirmed by the Peace Treaty of Paris in 1947. Territorial losses included even somewhat more than those ceded to the Soviet Union after the Winter War. The Soviet Union had rented a naval base close to Helsinki for 50 years yet left it during the so-called first détente in 1956. Finland had to pay large war reparations and to put wartime leaders on trial. Prison sentences were handed down to eight political leaders. However, Finland was one of the few countries participating in World War II that was never occupied. In international comparison, the share of civil casualties was low: Among the 95,000 Finns who died in World War II, 2,000 were civilians.

The treaty of armistice in 1944 implied political changes. Organizations categorized as fascist or anti-Soviet were banned. The banned organizations included the vast paramilitary Civil Guard that had been built on the basis of the White guards in 1918 and its sister organization, Lotta Svärd, a very important entity mobilizing women in the war effort. The Communist Party ceased to be illegal, and the Finnish People's Democratic League, which the Communists founded together with their left-wing Socialist allies, became a major political force.

Controversial accounts of the experiences and outcomes of the wars were an integral part of politics in post-war Finland (Aunesluoma, 2013; Kettunen, 2018). Instead of celebrating and defending national wartime solidarity, many contemporaries and later commentators (most clearly

Communists, yet not only them) identified the end of the Continuation War in 1944 as the beginning of a new democratic era. In the late 1940s, the concept of a "Second Republic" was coined by the advocates of new policies. It did not refer to any constitutional change—the constitution of 1919 remained untouched—but was meant to point to the post-1944 changes of foreign policy, notably in relations with the Soviet Union, and the broadening of democracy, indicated by the legitimacy of Communism, the new strength of trade unions, and the breakthrough of collective agreements in labor relations. This narrative gained widespread popularity, especially in the 1960s and 1970s.

After the collapse of the Soviet Union, the interpretation pointing to the positive value of the post-war political shift and drawing from the lessons of the lost war was pushed into a margin. The post-Cold War neo-patriotic narrative argued in favor of the legitimacy, correctness, and necessity of Finnish wartime decisions. To be sure, this was no new account of the causes, experiences, and consequences of the wars. This view had existed side by side with the critique of pre-war and wartime politics, expressing that wartime efforts and sacrifices had made it possible to keep the country unoccupied, independent, democratic, Nordic, Western, and neutral, although within the limits of a special relationship to the neighboring Soviet Union. The treaty of armistice had begun a period of injustice and danger, but Finland had survived the Soviet-based threat of Communism.

In the post-war visions of future social policies, the experiences of wartime national unity and the post-war political shift were intertwined. The self-understanding of the academic discipline of "social policy" was developed by individuals active in various wartime social policy initiatives, especially Heikki Waris, the first Professor of Social Policy at the University of Helsinki starting in the late 1940s. He interpreted wartime problems and solutions as the decisive reinforcement of social solidarity and the legitimacy of social policy, realized through the close ties established between voluntary organizations cooperating across political borders and government authorities at the central, provincial, and local levels (Waris, 1973, 24–26; Urponen, 1994, 213–216) as well as through closer interactions between workers and employers.

Waris later praised the so-called January Engagement during the Winter War as the "historically most important" social policy achievement of the wartime period (Waris, 1973, 24–25). It was a short joint declaration in which the peak organizations of trade unions and industrial employers promised to negotiate on common issues in the future. Employers were now ready to soften their views on trade unions as it was important to convince the Nordic and Western public opinion that the target of Soviet aggression was a democratic Nordic country. The practice of mutual negotiations was institutionalized by corporatist representation in wartime economic regulation.

After the Continuation War, a time of rapidly increasing power of trade unions, this practice was modified into a national system of collective labor market agreements, decades later than in Denmark, Sweden, or Norway.

Wartime and immediate post-war experiences influenced ways of defining social problems and solutions. These experiences enhanced the understanding of a modernizing nation state society in which the objectives of economic rationalization, social integration, and individual self-discipline intersected. The functionalist idea of a national society that could and should be steered as well as rationalized by means of scientific knowledge was strengthened. New and old elements were mixed in attempts to structure society as a target of knowledge and reform, and in the views of the state as an agent of rational planning.

Concerns about the quantity and quality of the population gained much attention (Bergenheim, 2020). Women's associations played a significant role in initiating and implementing wartime population and family policies. Many of their leading figures advocated for urban middle class family ideals but with limited success. In a rural society such as Finland, the gendered division of labor never followed male-breadwinner ideals; women (even married women) had also worked in manufacturing (Åmark, 2006; Suoranta, 2009). The role of female labor power nevertheless increased significantly in all sectors of the economy during the course of the war. This change in the gendered division of labor was only in part a temporary wartime phenomenon.

The quantity and quality of the population came to be an effective argument for rational societal planning. It was interlinked with the issue of how to fit individuals into the functions of society, an urgent problem on the wartime agenda of politics and administration. Classifications of jobs were developed according to the amount of food and calories needed as well as categorizations of people according to their occupational skills and political reliability. A classification of medical practices was needed in the treatment and employment of disabled soldiers, and the development of psychiatric methods was fostered by the need to somehow recognize the most acute and obvious forms of psychological damage (Kivimäki, 2013).

Wartime experiences inspired institutional novelties such as the Institute of Occupational Health. The decision to set up this institution was made in 1945, and the institute was in full-scale action starting in 1951. It was initiated by young doctors and organized through the cooperation of government authorities, employer organizations, and trade unions. In the activities of the institute, physicians, engineers, and psychologists combined their knowledge. Models came not only from Sweden but also the United States. The American pragmatist orientation inspired an attempt to combine different fields of scientific knowledge in seeking solutions to work-life problems. The

Rockefeller Foundation gave significant economic support to the institute (Kettunen, 1994, 378–392).

The ethos of economic and societal rationalization implied a reinforced legitimacy of the state as an economic actor, regulator, redistributor, and provider. In reforms of taxation, responses to immediate wartime needs also implied long-term changes. For example, the collection of income tax was made more effective in 1943 by adopting a pay-as-you-earn system in which the employer withholds the tax.

In Finnish wartime debates, the New Deal, the Beveridge Plan, and Nazi social policies were all referred to as evidence of the state's new active role in the future post-war world. After the war, the definition of national necessities and the content of state intervention became a matter of political controversy. Yet even the Communists shared much of the way of thinking emphasizing economic rationalization as an urgent national task, not least due to their view that reparations to the Soviet Union—a crucial economic necessity for Finland until 1952—were an anti-fascist and democratic national duty. Both the Communists and the Social Democrats interpreted their divergent socialist goals as a transition to true national economic rationality.

Finland did not join the Marshall Plan as the Soviet Union was opposed. However, the Western—and especially, American—connections played an important role, not only in terms of international post-war social aid but also for the ideological and practical flavor they gave to how social problems were defined as targets of science-based knowledge. The American lessons of management became connected with the efforts of science-based societal planning and mixed with conclusions drawn from wartime experiences (Kettunen, 1994, 355–361).

Between the broader society and different individuals, there was a third level that wartime experiences helped define as a target of problem-solving knowledge: a social sphere that could not be reduced to the norms and institutions of the societal system, nor to the properties of individual people. Sociological studies identified group dynamics as a force with autonomous laws in wartime army units and post-war working life (Kettunen, 1997, 163–165). Most influentially, Väinö Linna's novel *The Unknown Soldier* (1954) told about disobedience and conflicts between official and unofficial norms that seemed to be characteristic of Finnish culture, and especially to have a positive impact on organizational operations. This line of thinking gained new strength in the 1960s in sociological studies and political discourse. By recognizing conflicts and institutionalizing them, the efficiency and cohesion of society could be improved. This assertion achieved considerable influence in the politics of social policy, but it was still connected with the framing idea of the

nation state society as a historical agent that by means of its internal will and capacity responds to external challenges and threats.

2.6 National necessities

Until the early 1950s, the post-war years were a period of urgent responses to the economic and social problems caused by the war, including care, pensions, and compensation to disabled soldiers and the widows and children of fallen soldiers; the relocation of the population of the territories ceded to the Soviet Union; extensive reparations made to the Soviet Union; and the shortage of food and all resources managed by a comprehensive system of rationing. This was also a time of profound changes and hard struggles regarding Finland's international position and political regime. By the start of the 1950s, Finland's relationship to the Soviet Union was based on recognizing "legitimate" Soviet security interests and expecting that the Soviet Union would not try to push Finland towards the road of a "people's democracy."

In 1945, the Finnish People's Democratic League (i.e., Communists and left-wing Socialists), the Social Democratic Party, and the Agrarian Party—three parties with an almost equal electoral support—formed a coalition government. However, this collaboration, and the Communist participation in government, only lasted until 1948. Within the trade union movement, the Social Democrats won the battle for leadership by the end of the 1940s. Nevertheless, with a solid electoral base of around 20% of the electorate until the 1970s, their strong positions in many trade unions and their support from the Soviet Union, the Communists could be identified as a major challenge of national integration (Rainio-Niemi, 2008). After the parliamentary elections of 1966, resulting in a Socialist majority in parliament, a so-called popular front government was formed, consisting of Social Democrats, Communists, and the Center Party (the former Agrarian Party). The Communists became involved in reformist politics through the coalition governments with the Social Democrats and the Center Party as well as through cooperation with the social democratic majority in the trade union movement. The process resulted in political integration but also in an actual (although not formal) split within the Communist Party between the reformist majority and the minority, preserving its strong loyalty to the Soviet Union and proletarian internationalism.

The post-war return/progress to the old/new normalcy included a more or less shared national strategy of prosperity that was grounded in a high rate of investment and the hope and assumption that sacrifices in the form of more moderate growth of consumption would result in general prosperity in the future (Pohjola, 1994, 237). While the reparations required a significant extension

of the metal industry (which also played a core role in later trade agreements with the Soviet Union), the wood processing business still preserved its position as the leading (and Western-oriented) export sector and its powerful role in defining the national economic interest.

As late as in 1940, about 60% of the Finnish population earned a living in agriculture and forestry. The expansion of the rural class of small farmers continued to be a major policy of national integration and was applied to the relocation of the Karelian population of the territories ceded to the Soviet Union. The number of small-size farms increased until the late 1950s. The livelihood of smallholders was dependent on the linkage between agriculture and wood processing through farmer-owned forests, and especially the seasonal demand for labor power in logging. As this linkage weakened through technological development and the diminished need for labor power in forestry, the change in socio-economic structures accelerated in the late 1950s and culminated in the 1960s. The Finnish welfare state was built up by efforts to manage this very rapid and profound structural shift and the simultaneous large-scale challenge of the very large baby boom cohorts entering schools and working life. Social policy reforms and the reforms of the education system were an integral part of creating an industrialized, urbanized wage work society.

At the same time, social policies were assessed from the perspective of the limits imposed by economic resources. In the dominant mode of thought, the increase in economic resources was seen to require internal austerity in responding to externally determined national necessities (Pekkarinen & Vartiainen, 1993). The state should play a vital role in ensuring a rational response, yet the social democratic idea of turning the state into an *instrument* of political will and planning never achieved in Finland the kind of hegemonic position as it did, especially, in Sweden. Arguably, in much of Finnish political thought, since the Hegelian philosophical framing of the 19th-century nation building, the planning was seen as an *inherent property* of the state itself, and good politics were supposed to put state agency into action. This implies the strong ideal of national consensus.

The ideal of consensus does not equal an absence of conflict. From the late 19th century until the late 20th century, Finland's political history indicates that the demand for national unity may have generated difficult struggles about the right way and privilege of speaking in the name of the whole, "the people," and the national common good (Kettunen, 2004; see also p. 3). In Nordic comparison, deeper conflict—together with the stronger ideal of consensus—is a unique aspect of Finnish history. In the post-World War II era, the relatively strong support of the Communists was one of the political phenomena that made Finland exceptional in the Nordic context. In industrial relations, until the 1980s, "low-trust" elements were indicated by comparative strike statistics. The parliamentary system was unstable, and short-lived governments were typical until the early 1980s.

Admittedly, those arguing for social policy reforms—including the Fennoman leader Yrjö Koskinen in 1874 and later leaders of the Socialist labor movement—pointed out that such reforms were not just economic burdens but would also generate economic benefits. Nevertheless, a strong notion of novelty was expressed in the message of Pekka Kuusi, as in his book *60-luvun sosiaalipolitiikka* (Social Policy for the 1960s), published in 1961, he presented social policy as a precondition for economic growth.

Kuusi did not like the term "welfare state" but his book is, with good reason, seen as a design for the Finnish welfare state—"a plan for Finland" as the subtitle of the English edition (1964) states. A social scientist with social democratic sympathies and inspired by Gunnar Myrdal, Kuusi (1964, 34) wrote: "Democracy, social equalization, and economic growth seem to be fortunately interrelated in modern society. Social policy seems to spring from free and growth-oriented human nature." Promoting social equality through the redistribution of income, social security, and labor power policy would release people's productive capacities; the vicious cycle between poverty and passivity would be broken and turned into a growth-oriented virtuous circle. Rational planning would cover social policy as part of the broader "societal policy" (*yhteiskuntapolitiikka* in Finnish; *samhällspolitik* in Swedish) from which its objectives were to be derived.

A strong emphasis on national necessities was apparent in Kuusi's argumentation as well. For one thing, the book was motivated by the view that science-based planning was necessary to avoid the increase in social policy costs caused by political competition and uncoordinated compromises (Bergenheim, 2023). Even more, however, necessities were derived from Finland's place in the world of international competition between societies. Finland was situated between two highly dynamic and growth-oriented societies, Sweden and the Soviet Union. The mission Kuusi outlined was a matter of life and death: If we want to survive between these two societies, "we ourselves are doomed to grow" (Kuusi, 1964, 59).

Kuusi was not advocating for any third way between the societal systems of Sweden and the Soviet Union. However, his argument was also an example of the Finnish tendency to avoid any explicit association of social policy with the Cold War confrontation. In reality, this confrontation *was* a significant context for social-policy considerations. The relatively strong support for Communism, in particular, promoted compliance with social policy reforms as a means of restraining protests and conflicts. Even for the political right, notably the National Coalition Party, an actively anti-social-policy stance was not a viable alternative (Smolander, 2000). Nevertheless, while the Swedish Social Democrats had integrated their policy objectives into "democratic welfare politics" and contrasted it with capitalism and Communism (Edling, 2013), in Finland, the dominant orientation

was rather to depoliticize social policies. Social policy reforms were often framed as steps along a path of general progress within the limits of economic resources as necessary responses to emerging problems, and as issues of the pragmatic adjustment of conflicting interests in the name of the common national interest.

In Kuusi's book, the tone is different: The program for Finnish social policies was located in the context of nothing less than world history. However, in this way, it was located in a sphere above the Cold War confrontation between different societal systems, in a sphere of the evolution and growth of modern industrial society, with Sweden and the Soviet Union exemplifying such a society. This corresponded to so-called convergence theories (Kettunen, 2013) and served to legitimize social policy as "our" joint national task.

2.7 Nordic framework

Being a Nordic country was a taken-for-granted core element of the national self-understanding in Finland, but in the Cold War world, it also implied a proclamation that Finland did not belong to the Eastern Bloc (Majander, 2004). The limits to Nordic co-operation at the level of "high politics," notably security policies, did not hinder the broadening of practical communication between a wide spectrum of public authorities and voluntary organizations, nor between more or less institutionalized cooperation in international government and non-governmental organizations.

In 1952, a "hot" year in the Cold War, the freedom of Nordic citizens to cross intra-Nordic borders without passports was established, and two years later, the Nordic countries agreed on a common Nordic labor market. These were unique arrangements achieved between countries with diverging security political solutions: the North Atlantic Treaty Organization (NATO) members of Denmark, Norway, and Iceland; and Sweden and Finland representing different variants of neutrality in relation to military alliances. Finland was part of this passport-free labor-market area even before it in 1955 became a member of the Nordic Council, founded in 1952 as a collaborative organization of Nordic parliaments and governments, and before the Soviet Union unexpectedly left the Porkkala military base close to Helsinki in 1956.

The common Nordic labor market was exceptional also as an economic and social arrangement. Common political objectives were formulated in the agreement, including the concerted maintenance of full employment. It promoted mutual recognition of national social security norms and a convergence of social security systems. However, the common labor market was actually turned into everyday reality most dramatically by national failures in the preservation of full

employment. Asymmetrical relationships between the Nordic countries were revealed, in particular by those international comparisons of everyday life that led half a million Finns to permanently or temporarily emigrate to Sweden in the post-war decades, especially in the late 1960s, a time of rapid socio-economic and regional structural changes in Finland as well as high demand for labor power in Sweden.

Tough competition in the world market between the Nordic countries has served as an important backdrop for intra-Nordic comparisons and contact. For example, the competition between the Finnish and Swedish wood processing sectors was a contributory factor in making the Swedish trade union movement willing to help the Finnish trade unions strengthen their influence in determining wage levels in the Finnish industry. The Finnish trade union movement was much weaker than the Swedish one before World War II and indeed right up until the 1970s, and it lacked the social democratic internal cohesion that was such a pronounced characteristic of the Swedish movement (Bergholm, 2012).

While Nordic cooperation included elements of transnational regional integration, it primarily provided a frame of reference for (re)shaping national identities and institutions. In the five Nordic countries, Nordic-ness was, in different ways, embedded in national identities and institutions (Sorensen & Stråth, 1997). Through the Nordic co-operation in the production of social knowledge, norms, and arguments—for example, by means of Nordic social statistics since 1946 (Petersen, 2006, 91)—the notion of a Nordic model of a national society was reinforced. In Finland, this concept came to represent a kind of normative standard and a code for the future, identified in everything that had “already” been achieved in Sweden.

The notion of Finland, the Nordic latecomer, served as the impetus for demanding that social reforms be implemented. However, influential conservative variants of comparison also existed. The “socialist” policies of Sweden’s Social Democratic governments were referred to as warning signs, such as in the right-wing critique of the Finnish primary school reform in the late 1960s and early 1970s (Okkonen, 2017). A more moderate way of opposing social reforms was to argue that the Finns, at their lower stage of economic development, should wait and see how the reform in question would play out in Sweden. Nevertheless, lessons from the Swedish experience, including those associated with the mass emigration to Sweden, were a crucial ingredient of the politics that made the Finnish nation-state into a Nordic welfare state.

The politics of social policies

In historical overviews of Finnish social policies, the late adoption of social insurance schemes has been presented as a major indicator of Finland being a latecomer. In the early 1950s, Pekka Kosonen (1993, 50–51) stated:

"Workers' accident insurance [since 1895] was almost the only legislative social insurance that fitted into the framework of the [Nordic] model. Child allowances were also introduced [in 1948]. A universal unemployment benefit was rejected on economic and moralistic grounds and the unemployed instead assigned to badly paid public work projects (the so-called spade line). The old-age insurance legislated in 1937 was not intended to become effective for a long time, and public sickness insurance plans were not adopted until the 1960s."

However, the history of social insurance schemes in Finland is not just a story of the country being a latecomer; it is also a history of long and contingent political processes preceding reform. Ever since the 1880s, official commissions had made plans about social insurance. The vision of a comprehensive social insurance system was part of what was called post-war planning, but the pragmatic idea of proceeding step by step within the limits of economic possibilities was widely accepted (Kettunen, 2006b).

The Social Insurance Commission, appointed in 1945 by the coalition government of Communists, Social Democrats, and Agrarians was until 1954 active in planning schemes for different sectors of social security, making use of international, especially Nordic, comparisons and taking into account international norms like those included in the Social Security Convention of the ILO in 1952. Sickness insurance for wage workers was again the first priority of the Social Democrats, whereas the Agrarian Party, together with the Communists (who had wide support among small farmers and rural workers), preferred the reform of the old-age and disability pension schemes. This time too, as in the 1930s, the latter line was followed; it resulted in a greatly revised national pension scheme. The *National Pension Act of 1956* instituted unconditional flat-rate benefits combined with an income-tested assistance allowance. The Social Democrats' demands for income-related supplements to basic pensions were rejected.

However, the *Private Sector Supplementary Pension Act* was passed in 1961 on the basis of demands by both blue- and white-collar trade unions and negotiations between labor-market organizations. An important contributing factor was the gradual adoption of the term "wage earner" as the common label for blue- and white-collar workers and civil servants in the 1950s. The civil servants' old privilege of income-related pensions appeared more and more unacceptable, as did the

various company-level private pension schemes for white-collar employees. A crucial point of departure for the creation of an income-related pension scheme was the discontent of the representatives of wage earners with the national pension scheme of 1956; this was seen as an income transfer that favored the agrarian population. However, in order to get the bill passed in 1961, it was necessary to reach a compromise that would make it possible for the Agrarian Party to also vote for it.

In any case, the Finnish pension system was constructed in the form of two separate schemes, each with its own administration (Salminen, 1993; Hannikainen & Vauhkonen, 2012). The difference from the united Swedish system—which only the Communists advocated for in Finland in 1961—was still more striking as the administration of the private sector supplementary pensions became a function of private insurance companies. This arrangement entailed an active contribution by Finnish employers to the new scheme and guaranteed their support for it, involving as it did the principle that firms could, on favorable terms, borrow back most of the funded portion of the contributions. Information and advice from Swedish employers, dissatisfied with their own system, played an influential role in shaping the policy of Finnish employers. Finally, the *Sickness Insurance Act* was passed in 1963, no longer as a Social Democrat project but by shaping the benefits, financing, and organization in accordance with the principles of the Agrarian Party (Kangas, 1992).

In the late 1950s, seasonal and structural unemployment—not least the smallholders dependent on seasonal wage work—was recognized as a major social problem (Kalela, 1989; Uljas, 2012). In addition to "spade-line" public works projects, unemployment insurance was established in 1960 through a compromise that extended and reinforced the system of voluntary trade-union-linked funds and completed with a state-administered, flat-rate benefits system for those without access to the funds. This was a breakthrough reform, yet the level of compensation was low and the spade line was applied by the beginning of 1970s. In 1982, the reform of unemployment compensation created a comprehensive system combining the income-related benefits of the so-called Ghent model with basic unemployment allowances (Edling, 2006).

In general, in the 1970s and 1980s, the wage earner perspective—which was concerned with maintaining the income level and represented the common view of the traditional working class, the workers of the expanding service sector, and the so-called new middle class—was accentuated in reforms reshaping all parts of social security. At the same time, the principle of a minimum basic security containing flat-rate and means-tested benefits was established. In terms of the coverage and

compensation levels of various forms of social insurance, in 1990, Finland did not differ from the other Nordic countries considerably more than the latter did from one another.

The appearance of Finnish industrial relations met "Nordic" criteria in the early 1970s, including a high rate of unionization and a centralized system of collective agreements, associated with the strong presence of trade unions at the workplace level as well (Kjellberg, 2001). Starting in 1968, national specificities appeared in the so-called income policy. Labor market agreements were closely intertwined with political decisions on economic and social policies, and agricultural interests and their representatives were a significant part of income policy compromises (Bergholm, 2009). A regular part of the income policy agreements was the so-called "social packages," which were a major form of expanding the Finnish welfare state in the 1970s and 1980s.

A comprehensive system of public services in care and education, a central characteristic of the Nordic welfare model, was built up in Finland in the 1970s through several reforms that transformed municipalities into the basic level of the welfare state. The Primary Health Care Act 1972 established a network of municipal health centers. The Child Day Care Act in 1973 obligated municipalities to implement policies that were meant to facilitate women's work outside the home. Due to its strong emphasis on social and regional equality, the *Primary Education Reform*, decided upon in 1968 and implemented in the 1970s, has achieved a chief role in the national narrative of the making of the Nordic welfare state in Finland.

The left-wing majority governments of 1966 to 1970 have remained in the history books as the ones who set the broad parameters of the welfare state in Finland into motion. Indeed, in the late 1960s, the willingness to compromise reached a point where it became possible to gain broad political support for major Nordic-type reforms in social and educational policies as well as in industrial relations.

However, important reforms of pension systems, sickness insurance, and unemployment policies had already been made from 1955 to 1965, a period of great parliamentary instability (Bergholm, 2009). All the social security reforms were achieved through political competition, conflicts of interest, and compromises within the limits of what was conceived of as national economic and political necessities, associated with experiences of profound socio-economic and regional change. Thus, the making of the Finnish welfare state was not such a consistent 'project' as it is often retrospectively presented by those who currently defend it as a national achievement.

2.8 Interests, work, and gender

The history of the Finnish welfare state provides material for a critique of the "laborist bias" (Baldwin, 1990) in interpretations of the welfare state. The labor movement was a vital force in the agenda setting of social policy reforms, yet it would not be tenable to define the Finnish welfare state as a social democratic or working-class creation.

The farmers' interests and their representatives long played a significant role. Even the Finnish labor movement bore a strong rural stamp up until World War II; most of the Social Democrat voters still lived in the countryside. After the war, until the 1970s, the Communists and the Agrarian Party were strong rivals for the support of the small farmers in eastern and northern Finland. The Agrarian Party (since 1965, the Center Party) was a typical Nordic phenomenon and continued to be a more important player in the political system than corresponding parties in the other Nordic countries. Its strength in part came from its linkages to the foreign policy-based power of Urho Kekkonen, who was the president of Finland from 1956 until 1981. In any case, the party managed to remain a powerful voice of the provinces during the transformation, where the share of agriculture and forestry in the economically active population declined from 60% in 1940 to 35% in 1960, then to 13% in 1980 and 6% in 2000.

Historically, the prominence of farmers is certainly not a Finnish peculiarity. The political role of freeholder peasants and the cultural tradition of the "Lutheran peasant Enlightenment" (Sørensen & Stråth, 1997) have been emphasized in historical accounts of the Nordic welfare state. However, even for Sweden, one may question the narrative of a road from "the Lutheran peasant Enlightenment" to "the Social Democratic welfare state," and for Finland, this is still more the case. This account has an excess of egalitarian individualism in the rural community and too much social democracy in the welfare state (Kettunen, 1999).

Insofar as the Nordic welfare states can be interpreted as the products of secularized Lutheranism (Thorgildsen, 1997; Stenius, 1997; Markkola, 2011; Nelson, 2017), one of their main aims has been to make it everybody's right to follow the moral precept that everyone ought to work. Full employment became a shared programmatic objective in all the Nordic countries after World War II. However, the political commitment to this objective seems to have been stronger in Sweden and Norway than it was in Finland and Denmark (Therborn, 1986; Kosonen, 1993). In Finland, this did not mean that work was less important as a moral imperative than it was in Sweden and Norway. On the contrary, when the tenets of one's own work and the the individual farmer's own work and individual will to work were appropriated to form the ideological core of the program for social peace and order, the principle of work as a *duty* was especially highlighted. Up until the 1960s, an

institutional indicator of this work ethic was the dominance of the "work line" or "spade line" in dealing with unemployment (i.e., low-paid public works projects) (Kalela, 1989, 159–192).

Generally, the histories of Nordic welfare states included an intertwining of three different ideological elements characteristic of the Nordic modernization process: the idealized heritage of the free peasant, the spirit of capitalism, and the utopia of socialism. Arguably, this political and cultural context contributed to the parallel reinforcement and mutual adjustment of two principles (especially from the 1950s until the 1980s): the universalist idea of social rights based on citizenship and the normalcy of wage work. The combination of these two (far from self-evidently compatible) principles gained momentum at the same time as the political significance of the farmers declined and that of the new middle class increased. This combination is not covered by the concept of "decommodification" that was made popular by the Danish sociologist Gøsta Esping-Andersen (1985, 1990) and refers to liberating people from their dependencies on markets, especially on the uncertainties associated with the character of labor as a commodity.

The adjustment of wage work (i.e., commodified labor) and social citizenship can be found in the field of *social security*. The "work performance model," with its labor market-oriented and income-related benefits, was linked with the principle of the social rights inherent in citizenship. The right to a secured continuity of income came to be interpreted as an aspect of social citizenship. However, in the history of the Nordic welfare state, the most obvious mode in which the principles of wage work and social citizenship were simultaneously reinforced was the construction of extensive *public social services*. These services, defining and meeting the needs of health, care, and education, bore the character of universal social rights at the same time as they created the preconditions for generalizing wage work as the norm. A transformation of the gendered division of labor was crucial here, associated with redefining the relationship between the family and society (Lundqvist, 2017). A particular complex of the welfare state, the labor market regime and the gender system, was formed. It includes, since the 1970s, a two-fold dependence of women on the welfare state: on the preconditions created for their work outside the home and on the jobs created within the welfare state, in strongly gender-segregated labor markets (Hirdman, 1990; Julkunen, 1990).

This description applies to the shape in which the Nordic welfare state was developed in Finland in the 1970s and 1980s. However, in light of the Finnish case, it would be especially questionable to claim that the concept of the working woman came into being only with the inception of the welfare state. In Finland, even more than in the other Nordic countries, the gendered division of labor—*before* being structured by the welfare state—did not meet the family ideals of middle-class

educators. The hard labor of women in rural households included tasks that according to those ideals belonged to men. Neither was the industrial wage work of women in the late 19th and early 20th centuries a marginal phenomenon. True, it was often a limited period in a woman's life before she got married and had her first child. Nevertheless, the number of married women working in factories and shops was remarkable, even before its expansion during World War II (Markkola, 1990; Suoranta, 2009).

Through the construction of the welfare state, the importance of wage work as both a norm and a source of individual autonomy was reinforced. The separate taxation of spouses was introduced in 1976 as part of the Nordic wave of similar reforms and as an aspect of what the Swedish historian Lars Trägårdh (1997) called "statist individualism" in the making of the Nordic welfare state. Notwithstanding, while paid work was a source of independence, the dual-breadwinner practice was normalized as both a matter of equality and an economic necessity. Furthermore, the heritage from the rural community—where work was at the same time a necessity, a duty, and a source of dignity—still played a crucial role.

2.9 Challenged and reshaped

National consensus was reinforced in Finland in the 1980s on the basis of a sense of pragmatism that was oriented towards an active adjustment to the requirements of national competitiveness. One indicator was the stabilization of the parliamentary system as it became a norm that the government could be built on any coalition including two of the largest parties (from 1987 to 1991, the Social Democratic Party and the National Coalition Party) and remain in power for the entire four-year period between elections. Another sign of consensus was a radical decrease in industrial actions at the turn of the 1980s and 1990s.

That said, the adjustment to what were experienced as new external necessities—including the globalized financial markets, the collapse of the Soviet Union together with the subsequent decline of so-called "Eastern trade," and the new phase of European integration—was far from unproblematic. A deep economic crisis with a dramatic rise in unemployment occurred in Finland in the early 1990s. In public discourse, the notion of politics as fulfilling national necessities was reinforced by this experience. It appeared not only in the justifications of cuts to welfare benefits and services, but also in the argumentation of those defending the welfare state and collective labor market agreements. Trade unions and the Social Democratic Party attempted to prove that welfare

state institutions were a necessary precondition for innovation-based national competitiveness (Blomberg et al., 2002).

The transformation called globalization questioned the assumption of a virtuous circle of the national economy, social policy, and democracy, which had provided an important part of the ideological underpinning of the Nordic welfare state. The premise for a symmetrical collective representation of employers and workers within a national society was weakened by a variety of developments: the multi- and transnational character of companies in the global economy; the network-type restructuring of production processes; the increase in so-called "atypical" employment relationships; the growing fluidity of the boundary between wage work and entrepreneurship; and the rise of the ethos of entrepreneurship.

Applying the concepts of the American development economist Albert O. Hirschman (1970), the *exit* option (i.e., the option of leaving an unsatisfactory milieu) was now in a new way present to transnational companies and investors. Consequently, it was an effective structural means to exert a powerful *voice* for reshaping their (potential) operational contexts and defining the preconditions for their *loyalty* (i.e., for their commitment to the contexts' modes of functioning). Solidarity through shared national links was eroded. In Finland, the signs of breaches in the national consensus became evident in the conflict facing the wood processing industry in 2005, and later in the decision of business interest organizations to refuse to continue the practice of centralized income policy agreements.

In the Nordic tradition, some favorable preconditions existed for re-orientation. Competitiveness was an integral part of the post-World War II ideology of virtuous circles. Thus, it was easy for trade unions to accept (at least in their programs) a value-added competition strategy based on innovation, training, and participation as an alternative to the cost-based strategies of social dumping and low-wage competition. Much of the ideological power of knowledge, education, and innovation in the Nordic countries stemmed from the promise that competitiveness and its preconditions in the global economy could—or even must—be seen from a wider perspective than that of neoliberalist deregulation.

However, tension seems to have emerged between what are presented as the institutional preconditions of competitiveness and the content of competitiveness itself. At the same time as egalitarian institutions and participatory practices can be defended as preconditions for knowledge-based competitiveness, true membership in a competitive community is a matter of individual competitiveness. This, in turn, consists of communicative and innovative skills and talent as well as

the reflexive capabilities of monitoring oneself from the angle of competitiveness. Not only are there both winners and losers in this competition; there are people who cannot even participate in it.

The "social" aspect appears to have gotten a new Janus face. On the one hand, social policy is supposed to provide "social investments" that support national competitiveness based on commitment, knowledge and innovativeness (i.e., based on "social capital" and "human capital"). This task is associated with the intensified rivalry among territorial communities at different levels—at the national, regional, and local levels as well as at the level of the European Union (EU) and its global competitors—in offering attractive environments for competitive enterprises, investors, and people.

On the other hand, the "social" aspect exists in efforts to prevent and deal with social exclusion and to make possible peaceful co-existence between those inside and those outside the new economy. These efforts often take the form of so-called "activation policies." They also manifest historical continuities. In the formation of the Nordic welfare state, a widely shared regulative principle was that all people should have the right to fulfill their duty to work. From this point of departure, one obvious direction would be back to the pre-welfare state aims of social policy, associated with maintaining order and preventing idleness. The old emphasis on work as the basis of social order and disciplined citizenship is very much alive side by side with the marketing of the new concept of work as an unending demonstration of a person's individual innovative capacity.

In policies responding to cross-border mobility, it is easy to see a dualism of simultaneously increasing and decreasing "our" attractiveness. This dualism appears in the different policies concerning the mobility of capital and people yet also within migration policies, most strikingly in relation to "international talent" on the one hand and asylum seekers on the other. In Finland, most political actors have learned to recognize the need for migrant workers to meet the demographic challenge of a rapidly aging society, most urgently in healthcare and other kinds of care (Vaittinen et al., 2022). Moreover, opportunities to decrease labor costs using lower-paid migrants have proven attractive for some employers. At the same time, however, migration is thematized as a security problem for "us" rather than migrants (Palander & Pellander, 2019). In the shaping of national and European migration policies, support for bordering policies is greatest among far-right ethnonationalists, who tend to oppose any immigration (Tervonen, 2022).

In preventing the entry of unwanted people, in the return of those who are not allowed to stay and in the integration of those who are, the basic principles of the welfare state are reinterpreted. The differential inclusion of different non-citizen groups in the welfare state tends to reinforce the

principles of hierarchy and conditionality in relation to social benefits at the expense of the tenet of universalism (Careja et al., 2015; Könönen, 2018).

While national responses to economic globalization and financialization place the competitiveness of the national "us" into the center of the political agenda, security has, in turn, strongly emerged as a national political objective in response to migration as well as to recent dramatic changes. These changes include the COVID-19 crisis, and the "post-post-Cold War" rise of geopolitical and military confrontations, in particular, the Russian invasion of Ukraine. Finland's membership in the EU (since 1995) and NATO (since 2023) has been justified as necessary to strengthen the national agency responding to external challenges and threats. The concern about security has also influenced the views on and practices of Nordic cooperation.

In the history of the Finnish nation state, security and competitiveness are far from new concerns. However, the intersecting perspectives of competitiveness and security have gained new impetus, even in the discourse on social problems, which are dealt with through social, employment, and educational policies. To describe the change facing the country, it is useful to think that nation states such as the current Finnish one have many dimensions, and to conclude that the welfare state aspect of the nation-state is, in new ways, affected by its competition-state and security-state dimensions. Welfare-state institutions are modified to serve competition-state and security-state functions. The steps taken in this direction have been, as a rule, justified by the idea of rescuing the welfare state. In Finland in the early 2020s, rescuing the welfare state is a popular argument for promoting a wide range of different policy objectives, including the cuttings of social benefits. The political rhetoric avoiding to question the welfare state itself indicates strong support for the welfare state among ordinary people. They experience it embedded in their daily life and involve social protection in their future expectations

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