

SUMMARY

THE FINNISH RIGHT WING AND "FOLKHEMMET"

– Attitudes of the National Coalition Party toward the Nordic Welfare Model from the Period of Reconstruction to the Beginning of Consensus.

Right-wing conservative parties have traditionally been regarded as the biggest opponents of the welfare state. The roots of Finnish conservatism are, however, quite exceptional. The Finnish nationalist conservatism has rather been a movement for the rising social class than an upper class party protecting their own interests. Particularly in the early part of the 20th century the social policy of the Old Finnish Party was quite radical. The Old Finns aimed at utilising social policy to create a strong and unanimous nation to defend against the Russian threat. The greatest dilemma for the Finnish right wing has been how to combine free economy with national unity. On the other hand, after the civil war in 1918 right-wing sympathies for the working class lessened considerably and from the 1920's on, the newly founded National Coalition Party turned toward the economic policy of classical liberalism which left little room for social policy.

The present study is concerned with the attitudes of the National Coalition Party towards the welfare state between 1945–1975. As the so called Swedish model – the "folkhemmet" or "people's home" – is considered to have served as an example for the Finnish welfare state, the study also includes comparative material on the welfare policy of the Swedish right-wing party. Right after the war Finland witnessed the formation of a so called people's front government, whose objectives included considerable expansion of social security and developing labour legislation. The new government type paved the way that Finland was to walk till the end of the cold war, although the communists were forced into opposition at the end of the 1940's and had to stay there till mid-1960's. Finland was mostly ruled by coalition governments formed from social democrats and the Centre Party, which resulted in the growth of the Finnish social state. Mid-1970's is a remarkable landmark in building the Finnish welfare state, as this was the time when the so called consensus saw its birth. The non-socialist circles of the society accepted the basic principles of the welfare state while the left wing was adjusting their economic policy to look more acceptable from the right-wing viewpoint.

The welfare policy of the Coalition Party can be divided into four separate periods. After the war in 1945–54 the Coalition Party was clearly a party criticizing the welfare state development. After the parliamentary defeat in 1954 the Coalition Party started the second phase in its policy, which lasted till the

middle of the 1960's. This period can be called the time of social market economy. Next followed the time of Juha Rihtniemi, which was characterised by a clear tendency toward a positive attitude to the welfare state. The final phase then is the 1970's which could well be called the time of "social selection economy". This is when the Coalition Party adopted the attitude that for its part served as a prerequisite for the consensus of the 1970's and 1980's.

The direction of the Coalition Party's policy has been quite obvious: toward a more social and equal state and toward the welfare state. As can be seen from the different periods, the change has taken place gradually but steadily. In a sense the phases follow the change of generations within the party. Each generation has incorporated their own world view into the party's policy. Simultaneously the periods describe the development of the Finnish society and its mental atmosphere.

In the generation issue, it is worth considering that the Coalition Party policy examined in this study was influenced by only two mobilised generations; the brothers-in-arms in the 1940's and the 1950's and the large post-war age groups in the 1960's and the 1970's. The generation of reconstruction, however, was admittedly experiential but lacked the feature of being mobilised. Perhaps on account of this Rihtniemi's time remains a little vague transition period from the welfare policy viewpoint.

The impact of war could be seen in The Coalition Party's policy first of all in the fact that a group of men having experienced war at the front joined the party activists and naturally brought along fresh ideas on the society's obligations to its citizens. "The spirit of Winter War" had united the people and this was considered worth adhering to. The society was faced with an evergrowing demand for a "social mind". However, this did not necessarily mean that the state would be the primary provider of social security. In the background there was a notion of e.g. volunteer work.

Nevertheless, these brothers-in-arms were not able to strongly influence their party's policy yet in the late 1940's or even the early 1950's. The party's mainstream still supported economic liberalism. Part of its spirit was to keep reminding of the hazards of too rapid growth in state economy and to emphasize that the most important duty of economic policy was stabilizing the value of money. The expanded state economy was easily regarded as the central factor contributing to inflation. In 1945 the social style of the young brothers-in-arms was still considered perfectly good enough, but when the communist threat slackened and the communists were isolated from governmental power in 1948, the attitudes of the Coalition Party started to intensify.

When these brothers-in-arms, lead by Jussi Saukkonen, came into power in the middle of the 1950's, at the same time paradoxically turned their party toward a policy criticizing the Nordic welfare state. Examples for the party came from Central Europe and the party's policy bore a close resemblance to the welfare state model found on the Continent of Europe. A key issue was social insurance, either voluntary or arranged by mutual agreement by the labour market organizations, and the state's status was preferably minimized. This tendency was new in the sense that now the Coalition Party was offering a

distinct alternative to the welfare state policy of the social democrats. Previously the emphasis had been solely on criticizing the increase of state obligations related to social policy, and no alternatives had been offered to reforms of social policy.

Traditionally the Coalition Party had been opposed to social reforms because they would increase the burden of taxation. Lowering taxes was still one of the objectives in the 1950's but when those who were young during the war came into power, they wanted to present a "social" image of their party. Foreign models for this policy were found e.g. in West Germany, Britain or the U.S.A. In these countries the right wing did well in the elections. Economy was becoming freer after the war and the parties demanding lower taxation were successful. Simultaneously, however, they seemed to have retained a certain social conscience; especially so in West Germany and Britain. The concepts prevalent in Finland –social market economy and people's capitalism – came from these countries.

Nevertheless, the most important role of these concepts was not to give a social image of the Finnish Coalition Party, but to create a positive image of market economy amongst the people. The concepts were an essential part of the 1950's ambition to become liberated from controlled economy and from state control. Not only was it a question of offering an alternative for the social policy of the social democrats, but also an economic alternative for the collectivistic controlled economy. Freeing of economy and trade in the 1950's was aligned with the right-wing economic policy.

The new policies in the end of the 1950's also relate the conflicting pressures that the interests of Coalition supporters subjected the party to. Above all, the Coalition Party had traditionally been and still was a party for the growing middle class. On one hand the party was required to keep a tight reign on taxation in order to be supported by the middle class, but on the other hand the middle class benefited from the increasing social security and services. The income based social security was of particular use to the middle class and therefore the strong commitment of the Coalition Party to develop income based social security in the beginning of the 1960's can be partly explained by middle class support.

The party image as a high finance party, however, was disadvantageous for enticing voters from the middle class or even more widely from the lower classes. Opposing the reforms of social policy –at least without offering an alternative- was easily interpreted by the voters as pursuing the interests of high finance. It can be said that ever since the Second World War –and probably even before that- the Coalition Party's policy has been coloured by a desire to shake off the mark of a high finance party.

Moreover, the striving for industrialization at the turn of the 1960's and the brothers-in-arms co-operation that ensued in social policy thereof, is a sign of the party's aspiration to expand its support. This is particularly evident in the 1961 employee pension reform where the Coalition Party's policy spoke for income based pensions. Industrializing the country meant a structural change which increased rural depopulation as well as the amount of urban middle class.

At the time of 1956 Pensions Act the Coalition Party was still undecided between the equal pensions system, which was in the interests of the rural population, and the social insurance tied to a person's earnings. A program approved in 1957 clarified the party's objectives in this respect. In the early 1960's the Coalition Party was already the most enthusiastic supporter of an income based pensions system, mainly on account of employers' influence.

The Coalition Party's activity particularly in pensions policy shows quite clearly that the Coalition Party aspired to be regarded as an employee party. On the other hand, giving priority to pensions policy over other sectors of social policy, such as unemployment and sickness insurance, reveals that the central target group for the Coalition Party's policy were specifically middle class employees.

In Finland looking after the interests of the middle class was not an indication of universalism in social policy with regards to income transfer, unlike in the case of Sweden's pensions reform in 1946 for example. Whenever the Coalition Party's social policy has supported universalism in income transfer or equal benefits, it has been to either please their rural supporters or in an effort to approach the Centre Party.

In the 1950's the party experienced various internal policies, which culminated in the election of a chairman in 1955. Jussi Saukkonen, who was elected chairman, represented a more "social" policy than his rival candidate Tuure Junnila, whose main concerns were economic policy and controlling state economy. However, the party's new program which introduced the concepts of people's capitalism and social market economy united the party. The difference in policies could perhaps be seen in the fact that "the right-wing" supporters were fascinated by people's capitalism while "the leftists" talked about social market economy.

While the right wing had shown self-confidence regarding social and economic policies in the 1950's, this started to fall off during the sixties. A desire to adapt to co-operation with other parties became evident in Sweden sooner than in Finland where foreign policy was closely connected to the question of co-operation. Where the right-wing party in Sweden was stamped with the image of being non-social, in Finland unreliability concerning foreign policy was the primary striking weapon. This may partly explain why the Finnish Coalition Party did not separate from the 1950's social policy as early as the 1960's in the same explicit manner as was done in Sweden.

Since the beginning of the 1960's the political climate of the period took a distinctive turn, and this gave the policy of the Coalition Party a whole new undertone. With time, the concept of social market economy received a completely new content. In the end of the 1950's the concept still suggested strongly that market economy in itself was social, but now, during the 1960's, an interpretation according to which social market economy was an independent economic system separate from free market economy, and where the state participated in equalizing the social ills caused by the markets, started to gain a more extensive foothold.

Accordingly, in the 1960's a distinct difference became evident in the party's policy. To a great extent, it resembled the division within the Swedish right-wing party throughout the 1960's. In Sweden the party was divided into "light blue" and "dark blue" supporters. The latter did not want the party to deviate at all from its principles lest the whole Swedish society should edge to the left. As for the former, together with other non-socialist parties they emphasized the importance of co-operation in order to end the autocracy of the social democrats. Among other things, this required adjusting social policy in a direction that would please the Centre Party and the People's Party.

In Finland the situation was very similar down to the very balance of power within the parties. The only clear difference between Sweden and Finland was that in Finland it was the communists who were considered the main opponent, not the social democrats. Otherwise the conflicting issues and their analysis were similar. In Finland the young chairman Juha Rihtniemi was on one side with a proportionately large part of the supporters, and on the other side were doctors Raimo Ilaskivi and Tuure Junnila as well as Pentti Poukka, editor of *Uusi Suomi*, among others. Rihtniemi and his kind believed that communism was best fought by increasing social security. According to him, the best way to guarantee the growth of the left-wing power was co-operation of all non-socialist groups. Hence the Coalition Party had to remain co-operative under the social reforms. As for Ilaskivi, Junnila and Poukka, they emphasized the importance of the party sticking to its policy which supported market economy without yielding to leftist objectives.

The second difference between Rihtniemi and the above doctors was the question of realism related to social policy. Rihtniemi thought that realities in social policy should be acknowledged. It was not possible to eliminate acquired benefits even if state economy would have required it. Touching the acquired benefits would have only meant radicalization of the left. Therefore the Coalition Party was obliged to approve raises in taxes while in power. Ilaskivi and Junnila, on the other hand, objected to the tax raises till the very end claiming that the realism supported by Rihtniemi's social policy indicated in practise that the Coalition Party for its part was equally guilty of expanding the state economy as the other parties.

This splitting of the Coalition Party's policy can also be paralleled to the split between the industry – hence the employers – and the banks. Rihtniemi himself was close to the industry and e.g. Päiviö Hetemäki, chairman of the Central Federation of Finnish Employers, came close to his policy. Industry was emphasizing stability of working life and society in general. This objective was well suited for increasing social security and transferring the expenses of social security to the state. The politicians close to the banks – specifically Ilaskivi, Junnila and the presidential candidate Matti Virkkunen – were opposing the expansion of state economy for fear of an increased inflation risk. This was not good for the banks' business activity, particularly in times of controlled interests.

During the time of Juha Rihtniemi, between 1965–1971, the Coalition Party began to accept the expansion of social policy and even state intervention

generally, despite the fact that the party continued to be the greatest advocate for market economy in Finland. Acknowledging the facts characteristically dominates Rihtniemi's thinking and his time in the Coalition Party. The central idea of his social policy was that at some level social policy automatically belonged to any modern western democracy. This concept was strongly influenced by a sentiment that social policy was being developed in spite of the Coalition Party and therefore it had to be accepted.

In this sense the time of Rihtniemi was a transition period in the Coalition Party's policy, the continuation of which was the phase of "social selection economy" in the early 1970's. The greatest impact that the new concept describing the economic system had, was in the field of welfare policy. The idea behind the concept of social selection economy was to emphasize that economy existed for people and not vice versa. It was developed in the early 1970's when the reputation of free market economy was perhaps at its worst. Although some youngsters in the Coalition Party seemed to think that social selection economy was a brand new alternative for market economy, the party's mainstream supported the interpretation which saw market economy as part of selection economy.

What is remarkable in the concept of selection economy, however, is not the concept per se, but its symbolic value for the Coalition Party's rather violent turning-point in the 1970's. The new concept marked a clear breakthrough for the welfare state in the Coalition Party's policy and the theoretic discussions around it gave a basis for adjusting the party's ideology in favour of the welfare state. The basis for selection economy was that economy was observed through the requirements and rights of the individual. State intervention with economy was allowed if the free markets were leading in a poor result for the individual. On the other hand, the state and the society were obliged to provide services in order that the individuals would be free to carry out their own projects. This implied promoting equality in the society so that everyone could implement their own individual plans and everyone would have a freedom of choice.

The principles of social selection economy are very close to the ideology of a welfare state. Although the theorists of social selection economy kept stressing that their ideology was completely different from liberalism, to my understanding the emphasis given to individuality in social selection economy closely resembles the ideas of social liberalism. In this sense the concept was not a new phenomenon in politics. The Coalition Party had merely adopted the liberal idea and standing in the Finnish field of politics while the Liberal Party was fading away. The only question remaining was whether the Coalition Party's social liberalism was merely rhetorical or really factual.

The general climate and particularly the Coalition Party's striving for initiating co-operation with other parties become more and more apparent as we approach the present time. Especially the new policies of the 1970's can be interpreted from this viewpoint. A similar trend dominated the welfare policy of the Swedish right-wing throughout the 1960's, culminating in renewal of the party's program and a change of its name. The unique party structure in the Nordic countries has had an essential impact on how the Nordic right-wing has

adapted to the welfare state. The incoherence of the Nordic political parties, particularly at the far right, has undoubtedly influenced the fact that also the right wing has given its support to political reforms. The Swedes, however, have estranged from this since the end of the 1970's. The pressure from other non-socialist parties together with the need for right-wing co-operation has turned the right wing to a social course. The need for co-operation with the Centre Party in Finland was further increased by the fact that since the 1970's the tendency of social policy which contrasted countryside with the cities was starting to lose ground and hence even the last combining factor was lost from the Coalition Party's alliance with the social democrats.

The ideological reassessments of the 1970's also concerned other issues. Above all, a central factor was the entering of the young generation – the large post-war age groups – into politics. The young generation brought along new kind of thinking that had been influenced by the New Left of the 1960's. On the other hand, the left wing was dominating the public discussions and the related general ambience in every way. The concept of social selection economy, for example, can be explained against this background. Free market economy was not a very tempting concept in the discussions of early 1970's. Nevertheless, according to many, "social selection economy" included the principles of market economy. The mainstream of the party's members saw the concept of social selection economy more as a tactics than an actual ideological change. Those who emphasized selection economy's role as an independent economic and social system were only found among the young in the party.

On the other hand, the new Coalition Party's policy also implies that the role of the growing middle class had changed. The post-industrial society from the 1970's on, pertains more closely to the middle class than the earlier welfare state which was based on income transfer. For the Coalition Party of the 1970's, the reforms of social services were not as painful as many other reforms based on income transfer. The universalism of social policy – equal services to everyone – was in the interests of the middle class. The concept of social selection economy was most suited for the requirements of Nordic post-industrial society. In this context it is of utmost importance to emphasize that the concept was not only referring to how the state and the municipalities took over the services, but it also comprised the unspoken idea that people should have a possibility to select their services from both private and public sectors.

As the contrasting differences in the society were balanced and the economy was growing, it was easy for the Coalition Party to participate in building a welfare society, even if mainly as a silent partner of Finnish politics due to causes related to foreign policy. But, even silent partners receive their share of the profits: the Coalition Party grew from being a medium-sized party into a large party. Without its expansion to the middle class this would not have been possible and in the Nordic model the middle class is quite dependent on the welfare state: on one hand many benefits specifically belong to the middle class while at the same time a great proportion of the middle class depend on the welfare state for their livelihood. Anchoring into the middle class is one of the key factors in the Coalition Party's change of economic and social policy.

However, "social selection economy" and the discussions pertaining to it told a lot about the shift of the Coalition Party's ideology. It marked the final modernization of the party's ideology, in all things good or bad. Firstly, an obvious change had taken place in relation to what was considered the basic unit of the society. Previously the family and the nation – in the same way as in traditional conservatism – were regarded as the society's corner stones. In the Coalition Party's ideology of the 1960's and the 1970's, the individual rose into a strikingly more central role than the family or the nation.

Secondly, "social selection economy" signified that the party's values were to be reassessed. This was most evident in the concept of freedom. While free and social market economy had previously clearly anchored into the freedom concept of classical liberalism, in other words into a negative concept of freedom, social selection economy denoted the approval of positive freedom. Freedom was understood as the individual's ability to fulfill oneself, whereas earlier freedom had merely meant the absence of external coercion. In practise this indicated that the state was no longer considered as the biggest enemy of freedom but even as a possibility to promote freedom.

The idea of equality also experienced a reassessment in the Coalition Party's policy. Traditionally it had been regarded as a factor reducing people's willingness to work as well as their spirit of enterprise. Equality had merely had an instrumental value in the Coalition Party. It was supported if it was possible to show that equality would increase economic growth, for example, but equality per se was not grasped as something to strive for. Accepting the principle of "social selection economy" meant that attitudes toward equality were changing. Since things were studied from the individual's point of view, equality became an important objective due to a new type of freedom concept.

Because the middle class has always been of great importance to the Coalition Party's policy, these new values must be examined from the viewpoint of the middle class. The demand for equality, at least if carried too far, has never coincided with the interests of the middle class. On the other hand, welfare society is a rather problematic phenomenon for the middle class. While the social policy supported by the Swedish right wing in the 1946 pensions reform was characterized by solidarity, it is worth remembering that the Swedish welfare state was already quite advanced. It now paid for the middle class to demand benefits also for itself, as earlier assessment of necessity had confined it outside any benefits. Accordingly, universalism of social policy is profitable for the middle class at a certain stage. In this respect the Coalition Party's shift to the policy of the Nordic welfare state fits the picture well, keeping in mind the Swedish pensions reform of 1946. Only in the 1970's was the Finnish welfare state beginning to be as massive as in Sweden of the 1940's.

As for the increased taxation accompanying the welfare state, it was not welcomed by the middle class. This middle class dilemma has had a profound impact on the Coalition Party's policy. This is particularly evident in the policy of the 1970's, when the party changed its direction concerning taxation and social policy. Internal tax reform was set as an objective rather than concentrating on criticism of the expanding state economy. This was in the

interests of the middle class, since shifting from taxation of labour to taxation of consumption, for example, was beneficial specifically for the well-off middle class. Then again, the middle class was starting to depend on the state and the municipalities: the new middle class was increasingly earning their living as government or city officials. This, however, caused a certain conflict in the Coalition Party's policy, since not all demanded tax reductions could necessarily have been implemented without controlling public expenditure, even if the internal tax reform was carried out. With this in mind, the demand for simplifying the social security system, in connection with the system of minimum subsistence, should be understood. Nevertheless, this was all accompanied by a strong desire to approach the Centre Party in particular.

The difference between the Finnish and Swedish societies becomes apparent in the 1970's and this reflects on the Coalition Party's policy in both countries. In Finland the Coalition Party was clearly shifting to left, whereas in Sweden, led by Gösta Bohman, it was returning to stricter criticism of the welfare state than was customary in the 1960's while the party was in the hands of the "light blues". In Finland the "dark blues" were securely isolated within the party, pleading foreign policy as an excuse, as characteristic of Finland.

One cause for this difference between Finland and Sweden is that in Finland the welfare state was born out of a compromise between various groups, partly influenced by the Coalition Party, while in Sweden the welfare state was – at least on the level of mental images – the outcome of social democrat autocracy. Therefore Finland moved to the policy of consensus, whereas in Sweden new liberalism was gradually starting to gain supporters. A typical example of the compromising nature of the Finnish welfare state has been the pensions policy in which the Coalition Party has united fronts with the social democrats in order to protect the employee pensions system from the equal pensions policy of the Centre Party and the communists. Swedish social democrats were more like worst enemies than allies of the right wing even in the question of pensions.

Another cause pertaining to this subject is the experience the Finnish right wing, and employers in particular, have of the instability of Finnish society. Strong communist support has made the Finnish labour market considerably unstable and subject to strikes. For economic functionality, it has been important to reach a consensus and in that process the right wing has had to yield in some of their principles. Building a welfare state was not any more in the 1970's a similar target for conflicting opinions as it was in the previous decades. The consensus has been of importance for peaceful labour markets, but it has also carried more far-reaching goals that would ensure peace within the society. With the growth of social justice, the communist support as well as the danger of a revolution would diminish in the society.

One can still ask how much influence the different historical backgrounds have had on the dissimilarities of the right-wing parties in different countries: The Swedish right wing has traditionally been an upper-class party, while the Finnish Coalition Party and its predecessor have belonged more to the rising social class and to radical social policy. It is quite difficult to find an exhaustive answer for this question. Both parties have shown a pronounced switch from being

parliamental parties to being parties for the masses after the second World War, which has helped to reduce the upper-class image of the Swedish right wing, hence not giving very much support to the presumption of the importance of history. The backgrounds of the party leaders, on the other hand, may have influenced their views about social reforms. Many influential Coalition Party politicians actually come from quite modest conditions, at least compared to the Swedish right wing leaders. The most influential person of these is probably Päiviö Hetemäki, who had a background with brothers-in-arms and therefore a quite positive attitude toward Finnish workers.

On the whole, the Coalition Party has travelled a long way in its welfare policy. If the Finnish nationalist right wing still manifested some social spirit in the 19th and early 20th centuries, from the 1920's on the thinking of the Coalition Party was almost one-sidedly dominated by economic liberalism. Even after the war the Coalition Party would not deviate from its policy, although the young brothers-in-arms in particular stressed the social mentality more than in previous times. Coming to the 1970's, the Coalition Party experienced an ideological revolution, which meant abandoning the doctrines of economic liberalism. In a sense the Coalition Party had returned to its roots as a defender of the weak against the despotism of the markets. However, it is paradoxical that the party's starting point was now completely different than in the 19th century when the objective was to create a strong national unity. In the 1970's the increased social security and the welfare state were justified by increased individual freedom. The party had a long road behind it having travelled from nationalist conservatism to social liberalism via economic liberalism.