growth", as one leading Finnish banker and opponent of the company's dominant position later put it.[6] Finland's and Neste's commitment to importing the majority of the country's crude oil needs from the Soviet Union provided the Soviets with purchasing power which they channelled back into orders which stimulated the growth of the Finnish shipbuilding, machine, engineering, construction and consumer goods industries. The advantages to Finland of this arrangement became apparent during the oil crises in the 1970s. While much of the rest of the world was hit by an economic shock due to the dramatic rise in oil prices and a sharp growth in balance of trade deficits with the OPEC countries, Finland managed to maintain a healthy balance sheet, boost economic growth and secure her energy needs by exchanging her industrial products for Soviet oil.

Nevertheless the picture was not in reality quite so idyllic. The Soviet Union, whose position in the international market was strengthened by the oil crises and the rise of OPEC, took a good price for its oil. At the same time the strong ties of oil, energy and economic cooperation bound Finland more closely to Moscow than any other Western European country. Only the collapse of the Soviet Union finally brought this scenario to an end, but not before the creation of the Nordic countries' largest oil refining company, which had by this time accumulated decades of experience in combining Russian raw materials, Western technology and international financing to provide efficient commercial energy production.

6. *Jaakko Lassila,* Markka ja ääni. Suomalaisen pääoman palveluksessa (Helsinki 1993), p. 120.

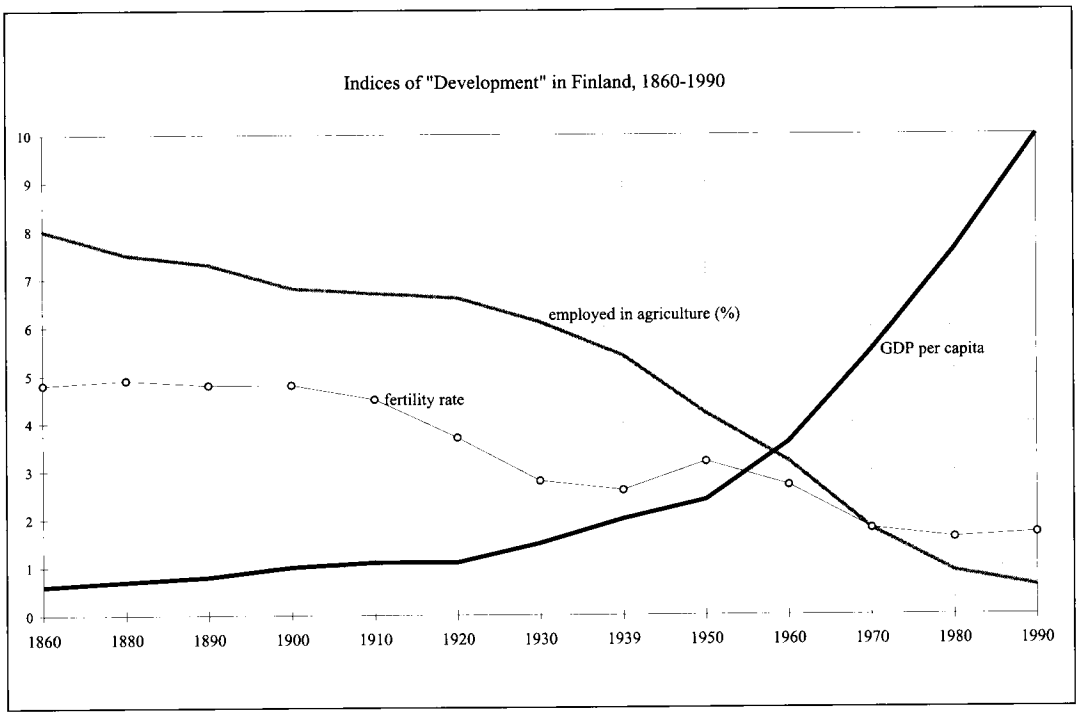
PERTTI HAAPALA

The Fate of The Welfare State

Professor Pertti Haapala considers the welfare state, and especially its Nordic variant, as representing a curious and unprecedented phase of history. For the first time ever wealth and an equal distribution of income appear together in the same society. For the first time ever an extensive public sector is not being used as a tool of oppression or exploitation. For the first time ever strong state power is being wielded democratically. Viewed through the eyes of the 19th century, the situation would seem strange indeed: capitalism and utopian socialism have come together.

■ Finns today live in a totally different sort of society from that of 40 or 50 years ago. The modernization of Finnish society which has occurred over the past few decades has, compared to most other European countries, been exceptionally rapid and late. A single generation, the so-called 'baby boomers', have experienced this change within their own lifetime. They were born into a relatively poor rural and agrarian Finland marked by class divisions, which they left behind to move into the cities and west to Sweden in the 1960s and 1970s. They have grown up side by side with the development of a Finnish welfare state which provides benefits earlier generations knew only from the pages of utopian novels: maternity leave and allowances, children's day care, comprehensive schools, health centres and sickness benefits, financial aid for students and grants for artists, agricultural subsidies and unemployment security, ample pensions, rehabilitation leave ... the list goes on.

However, it has become apparent during the 1990s that this social welfare structure which has done so much to enhance people's basic security can also form a

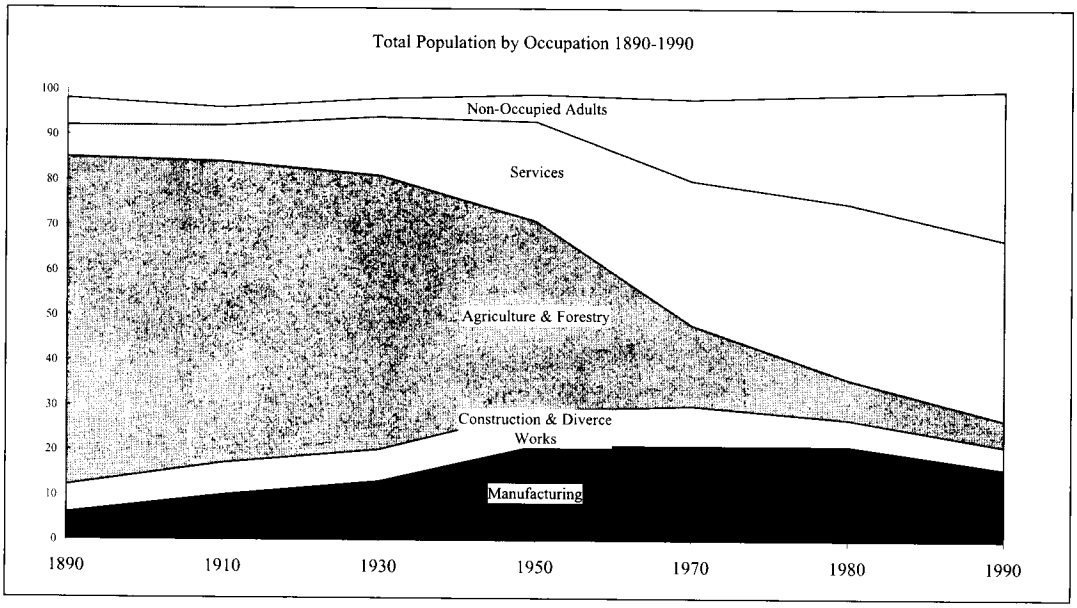


complex problem in itself. The welfare state was built on rapid economic growth, and especially in the 1980s nobody any longer seriously considered what would happen if the cake were to become smaller. Who would then have to pay? This is also a difficult moral question, as the livelihood and high standard of living of every one of the Finnish people has come to depend on this socially distributed 'common cake'. Two thirds of the adult population could be construed as 'living off the state' in that they either live mainly on income transfers or else work in the public sector. For this reason alone cuts in public expenditure are a politically sensitive issue. During the recession of the 1990s the problem was postponed by enlarging the public debt, allowing public expenditure to increase despite the fall in the national income.

How have we come to this? The central motivation behind the construction of the welfare state was the promotion of security and equality. People saw the welfare state as an answer to the feeling of insecurity and inequality experienced by generation after generation. Another, less noted factor has been the change in economic, demographic and social conditions. The welfare state has been a response to these changes. Before the system can be dismantled or fundamentally changed it is necessary to give some thought to these broader, structural, connections.

In growth we trust

The most important precondition for the welfare state has been the rapid growth in the economy, the underlying increase in wealth. Per capita income in Finland has increased tenfold during the course of this century. It has quadrupled in the decades since the Second World War, doubling between 1969 and 1990. Economic growth has both enabled a widespread redistribution of income and made this redistribution a matter of sound policy. In Finland, as generally in the Nordic countries, the distribution of this surplus income has mainly been organized by the state. Public expenditure accounts for over half of the Finnish gross national product. Several of the years



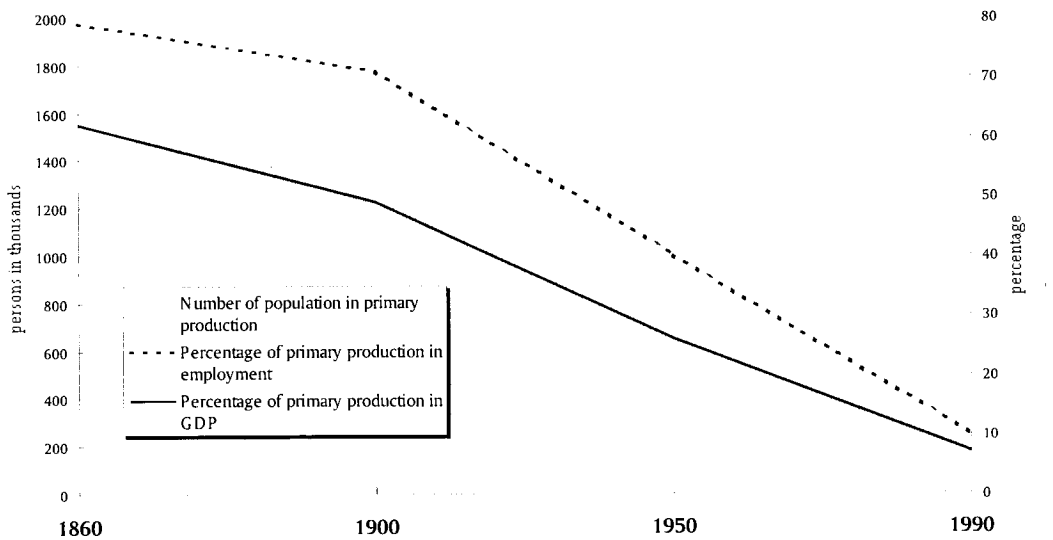
since 1991 have witnessed a fall in per capita income, but this has by no means meant a return to the poverty of the past. Measured by the criteria applied within the EU, Finland has the smallest proportion of poor people, at just 3 per cent of the population. In a wealthy country an economic recession is more a question of the distribution of income than of survival.

Where has this economic growth and distributable income come from? It has come from improvements in productivity, and in particular in the productivity of labour in the manufacturing industry. Although it is fashionable nowadays to talk of the information or service society, physical production continues to provide the basic source of people's livelihood. Thus, the fact that services are now the biggest source of employment does not indicate any reduction in the importance of traditional manufacturing industry, but speaks rather of its high level of development. Industry's share of employment began to fall during the 1980s, but industrial output nevertheless doubled in the two decades between 1970 and 1990. Since then industrial policy has been reoriented towards neo-industrialisation based on high technology in the belief that this will provide the wealth needed for expansion of the service sector and the funding of the welfare state. Certainly, electronics was in 1997 – for the first time – Finland's most important export commodity. But despite this there were cuts in public services and only slow improvement in the employment situation. The equation no longer works as it used to, but people do not want to abandon it. There is still the belief in a simple causal relationship between productivity, that is hard work, and the welfare state.

From the farm to the office

One aspect of economic growth – indeed one of its causes – has been the change in occupational structure. Economic activity has shifted from less productive to more productive sectors, and especially from agriculture to manufacturing. This sharp change in the structure of the Finnish economy has taken place since the Second World War; as late as the 1960s Finland was still a semi-agrarian country. The most significant change has indeed been the contraction in the agricultural population from half to less than one tenth of the total population. This is largely explained by the sharp rise in productivity, or in other words the 'industrialization' of agriculture, as the dramatic reduction in the agricultural labour force has been accompanied by an increase

The Decline of the Primary Sector 1860-1990



in output. Indeed, the most striking achievement of the Finnish welfare state has been the disappearance of the rural poor. Certainly, this was achieved in a different way from that originally planned: the growth in state support for agriculture was matched by an equally rapid fall in the agricultural population. Agricultural subsidies have brought farmers' incomes up to the level of the urban population – or even higher. By the early 1990s, when Finland began negotiations for membership of the European Union (then the European Community), Finnish agriculture was already a statefunded corporation. Membership shifted the focus of agricultural support from prices to different subsidies, simultaneously reducing farmers' incomes and apparently accelerating the process of 'rationalization'. On the eve of the new millennium Finland has the same number of farms as a century ago, approximately 60,000. The 20th-century clearance of land to provide smallholdings (250,000) was in response to a demographic problem which has now been solved.

Another striking change in the employment structure has been the sharp rise in services since the beginning of the 1970s. In Finland this has been largely attributable to public sector services such as the schools, social services and healthcare. Private services have grown much more slowly, and not at all in the 1990s. A broad range of services is a typical feature of rich countries: intensive, efficient production creates purchasing power for so-called 'welfare services' from which even ordinary people can benefit. For this reason the public sector workforce are the Achilles' heel in the economic policy of the welfare state. It is no easy matter to scrap generally desired services which have come to be seen as essential, even if the money to pay for them runs out.

The grey explosion

Industrialization and economic growth have everywhere been accompanied by a fall in the birth-rate, a fall in the size of the average family from five to under two children, and a rise in average life-expectancy from around 40 to around 80 years. This change has had a decisive influence on people's livelihood and way of life, the position of women, social norms, and finally the age structure of the entire population – which has in turn given rise to fears of an approaching pensions explosion. Finnish demographic development was further compli-

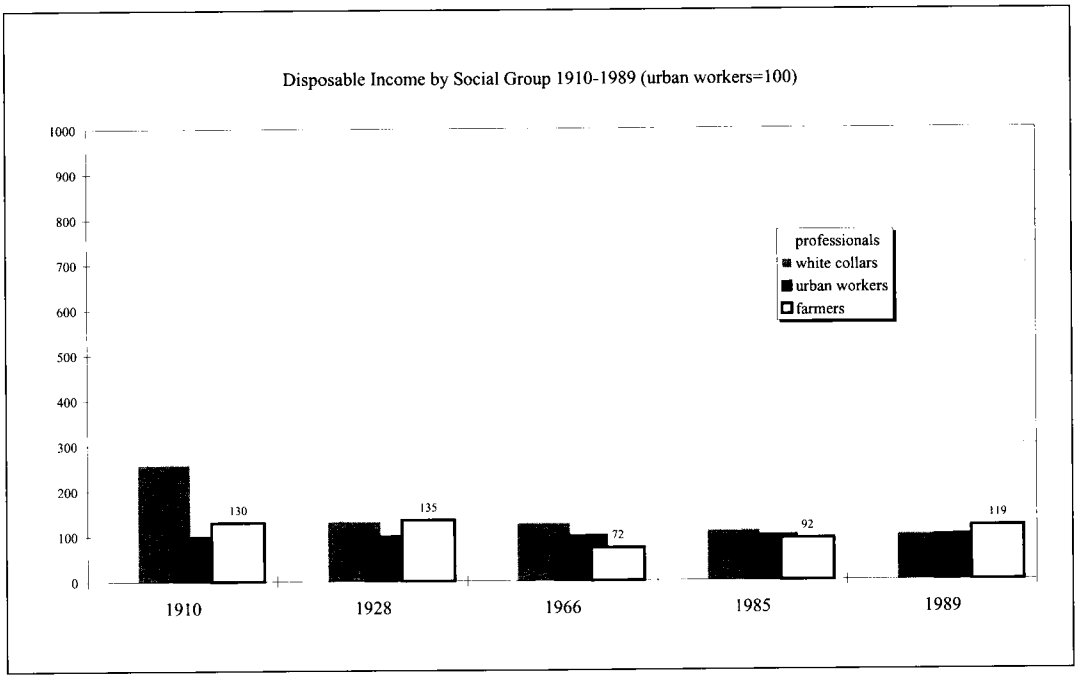
cated by the postwar baby boom, which was a clear departure from the falling trend in the birth-rate since the beginning of the century. This baby-boom generation has shaped the development of the social services by its very existence: the population 'bulge' has meant an uneven demographic development reflected in childcare, education, employment, housing policy and the general targeting of social security. Apart from the fact that society has had to respond to the collective needs of the baby-boom generation as a group, their sheer numbers in the workforce have enabled their parents to take early retirement, while the baby boomers' own relatively few children now find themselves in the opposite situation.

Demographic factors also have implications for the social structure of the population. In Finland this is particularly noticeable in that part of the population outside the workforce. Small children and housewives have given way to a group classified in economic statistics under the term 'miscellaneous non-employed'. This groups together pensioners, students, the unemployed and others dependent on income transfers. This group, which now includes more people than any other economic category, has in a sense been created by the welfare state. Pensioners, for example, do not in most cases live on their own savings or on support from their children; rather, society pays them a 'salary' which is called a pension and is of a real value far above the level of the salary they enjoyed while in working life. There is widespread agreement that "pensioners have earned their pension", and they also constitute a politically significant group in society, but the prospect of the future is causing nightmares for social planners. As the top end of the demographic pyramid continues to expand, which is in itself an historically unprecedented phenomenon, the demand for social security and other services funded out of the public purse is also continuing to grow.

Surplus population

At the beginning of this century the Finnish countryside was burdened by a 'surplus population' – or at least so people thought at the time – and around 250,000 country people emigrated to America, with an equal number moving into the Finnish towns. However, the rural population continued its rapid growth, and by the 1960s the same scenario was being repeated again. This time 300,000 people moved to Sweden and even more migrated into the towns within Finland. As the century draws to a close, Finland is once again facing the problem of a 'surplus population', that is the unemployed, in even greater numbers than at the beginning of the century. Emigration is no longer an option, as all the industrial countries are suffering from unemployment, and nobody wants to emigrate to poor countries. The welfare state holds people at home, but also has to provide for their support. For the first time the problem of surplus population cannot be solved by migration, which throughout history has been one of the prime motive forces impelling economic expansion. The same purpose is nowadays perhaps served by the mobility of capital, although in social terms this is quite another matter.

There can scarcely be any other country where the countryside has been emptied of its population as quickly as Finland's was in the 1960s and 1970s. This 'great migration' dealt an enormous body blow to the countryside, and at the same time demographic renewal was transferred – for the first time – into the towns. The death-rate in the countryside is now greater than the birth-rate; in other words the population is not being renewed. The maintenance of the rural population now requires migration from the towns back to the countryside. The 'living countryside' of today is indeed a product of the welfare state: regional policy and income transfers are vital to the economic survival of rural communities and their inhabitants. This does not necessarily imply that the countryside is a dead weight on society, as the destruction of the countryside could prove even more expensive, but the current state of affairs nevertheless illustrates how thoroughly the basic struc-



ture of society has changed within the space of a single generation. Just one generation ago the towns were still gathering surplus income from the countryside.

The erosion of classes

Pre-war Finland was a society of workers and independent farmers with a small urban middle class largely made up of civil servants. What was previously the largest social group, the agricultural labourers, has disappeared altogether, and the peasant population is now less numerous than the unemployed. If we assume for the sake of argument that social classes can be defined on the basis of occupational status, then Finland in the 1990s can be said to have three broad classes. These are the working class, the predominantly clerical middle class, and the above-mentioned 'miscellaneous non-employed'. The upper bracket is formed by higher clerical or managerial personnel and successful entrepreneurs, who taken together account for around five per cent of the population. In Finland, a university professor's salary suffices to confer membership of this 'wealthy elite'.

The boundary between the middle class and the working class has always been considered socially significant, as it has also marked a political dividing line. However, it is now quite clearly the case that all measurable class boundaries have become blurred, indicating that the groups they define have in a fundamental sense grown closer together. The differences in lifestyle which are nowadays the focus of such enthusiastic sociological study are something quite different from the enormous income differentials of a poor country.

Calculated by occupational group, the differences in real disposable income are surprisingly small. According to the most recent comparisons by the OECD, Finland can boast the world's most even income distribution. Income differentials are reported to have grown in recent years, but this change is questionable and in any case would be minimal compared to the previous equalizing of differentials. Long-term unemployment may cause a considerable reduction in income levels, but the relatively high social security provision means no genuine gap in standards of living has yet emerged, although EU comparisons indicate that Finns experience themselves as poorer than they actually are.

The narrow income differentials are ex-

plained by the state's strong intervention to balance incomes, implemented on the one hand through incomes policy and taxation, and on the other hand through direct income transfers. Public funding of education, healthcare and agriculture combine with pension provision to make a decisive impact on people's real standard of living. Fundamental from the perspective of the social class system is the fact that most of the population are rather close to each other in their standard of living and access to opportunity. Exceptions are few in number and can be put down more to chance or individual factors than social structures. Even income distribution prevents social strife, which is reflected in a sense of safety and personal security. Finland is in this respect an unusual phenomenon in today's world, a factor not appreciated until one experiences its opposite.

Another example of the crumbling of the class system can be seen in social mobility. We can estimate that only one in every five professionals, the elite of Finnish society, have parents with a similar social and occupational background. Half are the children of farmers or workers, a group which also provides three quarters of all lower clerical staff. A minority of the urban working class have parents of a similar background, half having come from the countryside. Some comparative studies suggest that social mobility in Finland has been more common than anywhere else. This is partly explained by the structural change in the economy, which caused a very rapid emptying of the countryside, but also in part by the growth in the public sector, which between the 1960s and the 1980s led to the rapid emergence of a new middle class. Education policy has played a decisive role in this social mixing. Upward mobility has on the whole been much more common than downward mobility. When to this is added the rapid rise in living standards, the postwar change in Finnish society has, despite rural depopulation, largely been seen and experienced as positive. The situation is quite different in a rigidifying society in which people have to fight over places higher up the social ladder. Those already there do everything they can to reserve these places for their own children. Such a situation is undoubtedly approaching in Finland, at least structurally. Increasing inequality can only be prevented by a 'politics of equality'. This aim is generally accepted and approved in Finland, but there is no agreement as to how it can be achieved. In such a small country, national solidarity nevertheless seems to be winning out over neo-liberalism.

Social distinctions will never entirely disappear, as they are generated by people themselves, but it is a matter of no small significance how the boundaries are drawn. The building of the welfare state has meant an abrupt levelling of material living conditions. A change of perhaps equally historic importance has been the levelling and unification of culture. Class society in the old sense of the term has given way in people's minds to a new, more homogeneous culture, which is to an increasing extent a commercial 'mass culture'. This has also been seen as a form of cultural decay; but those who complain about a lack of spirit and diversity would do well to take a backward glance at what we've left behind. The past tells us why people wanted to move on.

A question of fate?

People having been reading the last rites on the welfare state for almost 20 years now. Margaret Thatcher and Ronald Reagan began a crusade against it which led to a 'neo-liberal revolution'. Both the world economy and national economies have been opened to competition by the privatization of public services and deregulation. There is no unanimity over the results of globalization and deregulation, or of whether American and British society have developed in the right direction. Their economies have grown more than others, but at the same time the inequality there is of a totally different order than in the other industrialized countries.

The heart of the welfare state, the social

security system, is susceptible to change, and has indeed been changed. But the structural factors which underlie the welfare state and make it necessary are not susceptible to change by political decision-makers. Industrialization altered the whole economic and demographic structure of society. This is irreversible. Likewise, the birth of industrial society was accompanied by the birth of democracy. And we are not prepared to give that up. In fact, democracy rests on the welfare state. History suggests that they are born and die together.

(Translation: Brian Fleming)

OHTO MANNINEN

The Russian Archives – Promises and Frustration

The collapse of the Soviet Union seemed to offer a new dawn for researchers in the Russian archives. Professor Ohto Manninen here examines the ups and downs of the new Russia from the perspective of the historical researcher.

■ The disintegration of the Soviet Union heralded the 'opening' of the Russian archives. In principle, historians researching in the archives coming under the Archives Administration are now allowed access even to documents stamped secret as long as these are over 30 years old; thus at the moment down to 1967. In practice, however, secret documents must be 'opened', or declassified, before they can be given to the researcher, and this takes time.

The opening of the Soviet archives began in the final years of the Soviet Union with the policy of glasnost (openness) pursued by Communist Party leader Mikhail Gorbachev, and the change was already clearly visible in 1989. Nevertheless, the failed coup attempt by the 'Government of martial law' in August 1991 marked a major break with the past. As in other areas of policy, Russia at that point embarked on a new course in relation to its archives. However, it has certainly not been easy.

On August 24, 1991, shortly after the suppression of the coup, the Russian President, Boris Yeltsin, brought all secret archives on the territory of the Russian Federation (including the Soviet Communist Party and KGB archives) under Russian Federation control. Two large centres for the storage and preservation of documents were established at this time. Due to the length of their names, these are generally referred to by their abbreviations or addresses: RTsHIDNI, the 'Depository and Research Centre for Documents on Modern Russian History' on Pushkinskaya (now restored to its old street name of Bolshaya Dimitrovka), contains the older part of the Soviet Communist Party archives, down to 1952 and the end of the Stalin era; while TsHSD, the 'Depository for Contemporary Documents' on Iljinka, houses more recent material from the party archives, from the period 1952–1991.

The failure of the coup heralded a 'stampede' into the archives. It was generally thought that the secrets of the Soviet era could now be exposed, as the spirit of the social changes which had taken place seemed to point in that direction. A number of 'revelations' were indeed made, but there was no proper regulation of the archives.

The legal framework

During the Soviet period the Russian archives were run on instructions handed down from the top of the administrative system; there was no legislative provision. It was jokingly said that in this respect archive administration was based on a framework inherited from Peter the Great. Following the collapse of the Soviet Union there was a long dispute over the provision of a legislative framework for the archives, until the long-awaited legislation was finally approved in July 1993. The first of the decrees and provisions required under the new legislation were ready by