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# The Young Finns Party and the Plan for Neoliberal Retasking of the Welfare State in Post-Cold War Finland

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This article provides a perspective on liberal political thought in post-Cold War Finland by examining the small Young Finns party. Their political philosophy emphasised individualism against collectivism and criticised Finland's state-centred political culture. Special focus is on the party's ideas of reforming the Finnish welfare state. The Young Finns wanted to retain universal education and healthcare services but pursued radical tax, social security and labour market reforms with ideas inspired by neoliberal thinkers. The article argues that the Young Finns represented a Finnish variant of neoliberalism in their goal of retasking the welfare state into a slimmer enabler of individual freedom.

## Introduction

In 1994, the Cold War was over, and an unprecedented economic crisis had shaken Finnish society. For many it seemed that the fundamentals of the political culture had to be thought anew in a globalising and liberalising world. Political consensus rested on neutrality, friendly relations with the Soviet Union and expanding social policy. Suddenly, however, participation in the European integration had become a true possibility, and welfare state retrenchment seemed inevitable as public debt had exploded due to the crisis. Liberal and individualistic ideas had gained traction in Western countries since the 1970s, challenging social democracy and welfare statism, but in Finland, ideological debate had been mild and reforms often framed as necessities.<sup>1</sup> In this context, a new liberal party was established. It was named the Young Finns (*Nuorsuomalaiset*), following an old liberal party that had split from the nationalist Finnish party 100 years earlier.<sup>2</sup> The new Young Finns grew from liberal debate clubs and a pamphlet entitled *Ultimatum for the Fatherland*, which gained widespread public attention. The party entered parliament for one term in 1995 and for a moment seemed to pose a viable challenge to Finland's old centre-right parties.

In this article, I provide a perspective on liberal political thought in post-Cold War Finland by examining the ideas of the Young Finns party. I concentrate on their general political philosophy, which emphasised individualism against collectivism, and especially on their ideas of reforming the Finnish welfare state. I give less attention to some of the party's other focus areas, such as foreign policy. I argue that even though the Young Finns were short-lived and did not wield concrete political power, they played an important role in channelling and amplifying the liberal and individualistic *zeitgeist* of the 1990s that gradually changed the Finnish political culture and welfare state in a neoliberal direction.

In the Nordic countries, the welfare state enjoys so wide support that any political party seeking to abolish it is likely to be doomed to marginalisation. The main strategy for critics of the welfare state has therefore been to appear as its saviours by introducing significant, even radical reforms that alter

<sup>1</sup> Pauli Kettunen, *Globalisaatio ja kansallinen me: Kansallisen katseen historiallinen kritiikki* (Tampere: Vastapaino, 2008); Raija Julkunen, *Suunnanmuutos: 1990-luvun sosiaalipoliittinen reformi Suomessa* (Tampere: Vastapaino, 2001), 283–90.

<sup>2</sup> Finland's first liberal party was Swedish-speaking, while the original Young Finns were the first Finnish-speaking liberal party. See Rauli Mickelsson, *Suomen puolueet: Vapauden ajasta maailmantuskaan* (Tampere: Vastapaino, 2015), 43–5.

some key tenets of the welfare state but are claimed to make it more viable economically.<sup>3</sup> This is how the Young Finns positioned their political project. According to the party leader, Risto E.J. Penttilä, they were not breaking out from the Nordic welfare state tradition but ‘repairing the Nordic model, which is at the brink of bankruptcy, and taking it to the next millennium’.<sup>4</sup>

A notable ideological current challenging welfare states since the 1970s was ‘neoliberalism’, which strove for stable institutions to support free markets and individual freedom. The concept of neoliberalism is controversial<sup>5</sup> but well defined by intellectual historians. Especially the thought collective of neoliberal intellectuals, the Mont Pèlerin Society, and the network of think tanks it helped create have been studied extensively.<sup>6</sup> In this article I will show that parts of the Young Finns’ programme were strongly inspired by neoliberal thinkers like Milton Friedman and Friedrich Hayek. This gives grounds for viewing the Young Finns as a manifestation of transnational neoliberalism in Finland.

The same conclusion can be reached by drawing on more general definitions used in previous research. Historian Niklas Olsen defines neoliberalism as ‘the ideological product of processes in which self-identified liberals have attempted to renew liberalism as an ideology that claims to promote societal orders based on free markets and individual freedom’.<sup>7</sup> Political scientist Thomas Biebricher, in turn, argues that neoliberalism is characterised by a shared problematic, which ‘concerns the political and social conditions of possibility for functioning markets, the latter being characterized by the integrity of the price system, which must operate unperturbed’.<sup>8</sup> In other words, neoliberalism is interested in designing social and political institutions that would allow widespread use of the market mechanism. It does not mean minimising the state’s role but retasking it to support and extend markets.<sup>9</sup> The Young Finns fit these definitions, as they were outspoken liberals promoting a new and positive vision of liberalism. It included a strong emphasis on free markets as a foundational element of a good society, complemented with a state whose core tasks were to be defined anew to make it ‘slim and talented’.<sup>10</sup>

In recent scholarship, neoliberalism has been studied as an incremental and incomplete process and tendency, ‘neoliberalisation’, rather than an intentional political project aiming at realising a well formulated ideology. Many different actors, their changing alliances and transnational influences have contributed to local variations of neoliberalisation by introducing different types and combinations of market-oriented thinking and reforms.<sup>11</sup> In Finland and other Nordic countries, the roles of the Social Democrats,<sup>12</sup> as well as employer organisations and

<sup>3</sup> Nils Edling, Jørn Henrik Petersen and Klaus Petersen, ‘Social Policy Language in Denmark and Sweden’, in Daniel Béland and Klaus Petersen, eds., *Analysing Social Policy Concepts and Language: Comparative and Transnational Perspectives* (Bristol: Policy Press, 2015), 25–9; Julkunen, *Suunnanmuutos*, 288.

<sup>4</sup> Speech, 11 Jun. 1994, Hh:1 Risto E.J. Penttilä’s manuscripts, Young Finns Party Archive (YFA), Finnish National Archives, Helsinki (KA).

<sup>5</sup> Rajesh Venugopal, ‘Neoliberalism as a Concept’, *Economy and Society*, 14, 2 (2015), 165–87.

<sup>6</sup> Dieter Plehwe and Philip Mirowski, eds., *The Road from Mont Pèlerin: The Making of the Neoliberal Thought Collective* (Cambridge, MA: Harvard University Press, 2009); Daniel Stedman Jones, *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics* (Princeton: Princeton University Press, 2012).

<sup>7</sup> Niklas Olsen, *The Sovereign Consumer: A New Intellectual History of Neoliberalism* (Cham: Palgrave Macmillan, 2019), 6.

<sup>8</sup> Thomas Biebricher, *The Political Theory of Neoliberalism* (Stanford: Stanford University Press, 2019), 26.

<sup>9</sup> Philip Mirowski, ‘Postface: Defining Neoliberalism’, in Dieter Plehwe and Philip Mirowski, eds., *The Road from Mont Pèlerin: The Making of the Neoliberal Thought Collective* (Cambridge, MA: Harvard University Press, 2009), 433–6.

<sup>10</sup> Risto E.J. Penttilä, 24 Mar. 1998, Tarvitsemme myös verouudistuksen, D:4 Press releases, YFA, KA.

<sup>11</sup> Jamie Peck, *Constructions of Neoliberal Reason* (Oxford: Oxford University Press, 2010); Cornel Ban, *Ruling Ideas: How Global Neoliberalism Goes Local* (Oxford: Oxford University Press, 2016).

<sup>12</sup> Jenny Andersson, *Between Growth and Security: Swedish Social Democracy from a Strong Society to a Third Way* (Manchester: Manchester University Press, 2006); Jenny Andersson, *The Library and the Workshop: Social Democracy and Capitalism in the Knowledge Age* (Stanford: Stanford University Press, 2010); Sami Outinen, *Sosiaalidemokraattien tie talouden ohjailusta markkinareaktioiden ennakointiin: Työllisyys sosiaalidemokraattien politiikassa Suomessa 1975–1998* (Helsinki: Into, 2015); Sami Outinen, ‘From Steering Capitalism to Seeking Market Acceptance: Social Democrats and Employment in Finland, 1975–1998’, *Scandinavian Journal of History*, 42, 4 (2017), 389–413; Olsen, *The Sovereign Consumer*.

think tanks<sup>13</sup> in this process, have already been studied closely. Reforms of the 1980s and 1990s such as the liberalisation of finance markets<sup>14</sup> and labour markets,<sup>15</sup> marketisation of public services,<sup>16</sup> introduction of New Public Management<sup>17</sup> and privatisation of state-owned enterprises<sup>18</sup> have also been examined in previous research. Ideological contestation was weaker in Finland than in other Nordic countries, but the above-mentioned neoliberal reforms were driven by the ruling social democratic and centre-right parties as apolitical necessities. They followed the advice of civil servants in key ministries and the Bank of Finland, who in turn listened to organisations like the Organisation for Economic Co-operation and Development (OECD) and International Monetary Fund (IMF).<sup>19</sup> The Young Finns party was hence established in a context where neoliberalisation was already progressing on many fronts. Studying their political ideas complements previous research in interesting ways, as the party was explicitly liberal and had a radical and detailed reform programme, unlike most of the old political parties. It can be viewed as an advocate of neo-liberalism and a contributor to neoliberalisation in Finland.

The article is based on analysis of published and archival material produced by the Young Finns as well as media sources. To contextualise the party's ideas, I will first examine the background of the Young Finns and its key persons and reflect on how they were situated in the Finnish party system, which has a relatively weak tradition of liberal parties. Next, I will analyse how the Young Finns defined their general political philosophy and their view of the Finnish political culture. Subsequent sections are dedicated to the Young Finns' ideas on tax, social security and labour market reforms as well as their view on the emerging post-industrial information society that called for a new type of welfare state. Policy ideas are examined in some detail in order to show that the party's programme was inspired by neoliberal thinkers and was very radical in the Finnish and Nordic context. I conclude the article with reflections on the Young Finns' ideological profile and their heritage to Finnish politics.

### A New Liberal Movement in a Country of Weak Liberal Traditions

Key figures of the Young Finns included the party leader and political scientist Risto E.J. Penttilä (b. 1959), who had studied at Yale and received his PhD from Oxford; historian and public

<sup>13</sup> Mark Blyth, *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century* (Cambridge: Cambridge University Press, 2002); Maiju Wuokko, 'Business in the Battle of Ideas, 1945–1991: Conclusions from the Finnish Case', *Scandinavian Economic History Review*, 65, 3 (2017), 279–93; Maiju Wuokko, 'The Curious Compatibility of Consensus, Corporatism, and Neoliberalism: The Finnish Business Community and the Retasking of a Corporatist Welfare State', *Business History*, 63, 4 (2021), doi: 10.1080/00076791.2019.1598379; Rikard Westerberg, 'Socialists at the Gate: Swedish Business and the Defense of Free Enterprise, 1940–1985', PhD Thesis, Stockholm School of Economics, 2020.

<sup>14</sup> Markus Kari, *Suomen rahoitusmarkkinoiden murros 1980-luvulla: Oikeushistoriallinen tutkimus* (Helsinki: Into, 2016); J. Magnus Ryner, *Capitalist Restructuring, Globalisation and the Third Way: Lessons from the Swedish Model* (London: Routledge, 2002); Torsten Svensson, *Marknadsanpassningens politik: Den svenska modellens förändring 1980–2000* (Uppsala: Statsvetenskapliga föreningen, 2001).

<sup>15</sup> Lucio Baccaro and Chris Howell, 'A Common Neoliberal Trajectory: The Transformation of Industrial Relations in Advanced Capitalism', *Politics & Society*, 39, 4 (2011), 521–63; Sami Outinen, 'Syrjäyttikö aktivointi aktiivisen työvoimapolitiikan? Osallisuuden ja toimijuuden muuttuvat suhteet aktivointitoimien valmistelussa 1991–2018', in Pauli Kettunen, ed., *Työntekijän osallisuus: Mitä se on ja mitä sillä tavoitellaan* (Helsinki: Gaudeamus, 2021), 149–77.

<sup>16</sup> Agneta Hugemark, *Den fängslade marknaden: Ekonomiska experter om välfärdsstaten* (Lund: Arkiv, 1994); Olsen, *The Sovereign Consumer*.

<sup>17</sup> Ville Yliaska, *Tehokkuuden toiveuni: Uuden julkisjohtamisen historia Suomessa 1970-luvulta 1990-luvulle* (Helsinki: Into, 2014); Ville Yliaska, 'New Public Management as a Response to the Crisis of the 1970s: The Case of Finland, 1970–1990', *Contemporary European History*, 24, 3 (2015), 435–59.

<sup>18</sup> Pasi Nevalainen and Ville Yliaska, 'From State-owned Smokestacks to Post-industrial Dreams: The Finnish Government in Business, 1970–2010', *Business History*, 62 (2020), doi: 10.1080/00076791.2020.1842874.

<sup>19</sup> Heikki Patomäki, *Uusliberalismi Suomessa: Lyhyt historia ja tulevaisuuden vaihtoehdot* (Helsinki: WSOY, 2007), 55–97; Julkunen, *Suunnanmuutos*, 63–80; Yliaska, *Tehokkuuden toiveuni*.

intellectual Jukka Tarkka (b. 1942); and, in the early phase, the editor-in-chief of *Image* magazine<sup>20</sup> Jaakko Tapaninen (b. 1964). In the parliamentary election of 1995, the Young Finns had candidates in each election district except Åland. They received 2.8 per cent of the national vote, which was enough to take Penttilä and Tarkka to the 200-seat parliament. They had expected even more mandates after a year of strong hype in the media and favourable polls, but their support was strongly concentrated in the Helsinki metropolitan area and other largest cities.<sup>21</sup> In the following years, the party polled occasionally even 6 per cent support,<sup>22</sup> but in the election of 1999, they received only 1.05 per cent of the vote, lost both of their mandates and were soon terminated altogether.

The Young Finns were never in government and their concrete influence on policy was small, but they did play a role in transforming Finnish political discourse and atmosphere. Judging by the still incomplete digital archive of the Finnish press, the party gained notable media attention.<sup>23</sup> The Young Finns competed for voters especially with the National Coalition Party (*Kansallinen kokoomus*; NCP), Finland's main party on the broad field of liberal-conservative centre-right, thus pushing them towards neoliberal positions. In fact, Penttilä ran for party secretary of the NCP in 1993 but was not elected despite relatively strong support, 38 per cent against the incumbent's 62 per cent. For Penttilä, this was a sign that the party was stuck in its conservatism and not ready to adopt his progressive liberal ideas.<sup>24</sup> The birth of the Young Finns is thus largely explained by Penttilä's character, personal motivations and the support he got from other liberally minded individuals. There was demand for a new liberal party, but few people were motivated and charismatic enough to become its leaders. A new party most likely gave liberal ideas much more attention than building a liberal fraction within the NCP.

With the creation of a completely new liberal party, Finland was an exception among Nordic and Western European countries. New environmental and right-wing populist parties were established in the 1980s and 1990s across Europe, but neoliberal ideas usually found a home within existing liberal, conservative and social democratic parties.<sup>25</sup> This path was more difficult in Finland even in the early 1990s. Finnish liberal parties succeeding the original Young Finns (Progress Party, People's Party and Liberal People's Party) had been relatively weak. This is explained, for example, by Finland's lack of strong urban middle classes and the strength of 'holistic-populist nationalism', which pervaded popular movements and – unlike many liberal traditions – viewed the state as a solution rather than a problem.<sup>26</sup> After 1919, the electoral support of liberals was always less than 10 per cent. In the interwar period, they played important roles in coalition governments, but since then organised liberalism was in steady decline. When the Liberal Party leadership in 1982 – prompted by economic problems – decided to become a membership organisation within the much larger and formerly agrarian Centre Party, it alienated many of its urban social liberal voters.<sup>27</sup> Since 1983, the Liberals were mostly outside parliament, having only one member of parliament (MP) between 1990 and 1995.

<sup>20</sup> *Image* is a Finnish lifestyle magazine established in 1985 and viewed as a key manifestation of new urban culture and the yuppie movement.

<sup>21</sup> Risto E.J. Penttilä's interview, 15 Nov. and 14 Dec. 2016, Oral History Archive of Finnish Parliament, 22–3; Jukka Tarkka, *Kysyjän osa: Mitä on olla nuorsuomalainen* (Helsinki: Otava, 1999), 39–40, 67–74.

<sup>22</sup> 'Kokoomuksen kannatus heittelehtii, muiden vakaa', *Etelä-Suomen Sanomat* (ESS), 17 Sept. 1996, 9; 'Keskustan kannatus kääntyi laskuun', ESS, 10 May 1997, 8.

<sup>23</sup> Search with the term nuorsuomal\* between 1990 and 2000. National Library of Finland, digital collections, <https://digi.kansalliskirjasto.fi/> (last visited 8 Jun. 2022).

<sup>24</sup> Risto E.J. Penttilä's interview, 15 Nov. and 14 Dec. 2016, Oral History Archive of Finnish Parliament, 10–2; Tarkka, *Kysyjän osa*, 39.

<sup>25</sup> Ola Innset, *Markedsvendningen: Nyliberalismens historie i Norge* (Bergen: Fagbokforlaget, 2020); Olsen, *The Sovereign Consumer*; Ryner, *Capitalist Restructuring*.

<sup>26</sup> Henrik Stenius and Ilkka Turunen, 'Finnish Liberalism', in Ilkka K. Lakaniemi, Anna Rotkirch and Henrik Stenius, eds., *Liberalism: Seminars on Historical and Political Keywords in Northern Europe* (Helsinki: The Renvall Institute, University of Helsinki, 1995), 51, 55–7.

<sup>27</sup> Ahti Valkonen, *Liberaalinen Nuorisoliitto: Liberaalisen kansanpuolueen radikaalinen vasensiipi ja vihreyden uranuurtaja Suomessa* (Helsinki: Tallinna-kustannus, 2018).

In the early 1980s, the Green League began to occupy the liberal vacuum. It was the most popular party of its kind in Europe along with its German sibling,<sup>28</sup> but room for other new groups and creative individuals also opened up. The NCP had gradually become more liberal since the 1960s, but like Penttilä, many still found it attached to the Finnish politics of corporatism and Soviet-friendly foreign policy. Penttilä rather drew inspiration from the old Young Finns party, whose open and internationalist agenda was more in line with the new globalised post-Cold War period. Penttilä saw that the original party had believed in the power of culture and *Bildung* (*sivistys*) and represented 'liberalism with a human face'. His new party did not claim to be a direct successor of the original Young Finns but stated that it was greatly inspired by it.<sup>29</sup>

The end of the Cold War, which encouraged Finland to embrace new political ideas and officially participate in European integration along with other neutral states Sweden and Austria, is a significant context for the emergence of the Young Finns. Another impetus for neoliberal critique of the welfare state was provided by the deep economic crisis that had hit Finland at the beginning of the 1990s. It was the combined result of finance market liberalisation during the 1980s, credit expansion, asset bubbles, declining export demand in both Western and Eastern markets and rigid monetary policy that kept interest rates high even during stagnation and debt deflation. Finland's gross domestic product (GDP) decreased for three consecutive years in 1991–3, and unemployment climbed to close to 20 per cent.<sup>30</sup> Despite the private sector origins of the crisis, many liberals and conservatives viewed Finland's too large public sector and corporatist political culture as the main culprits, which inspired demands for welfare state and labour market reform.<sup>31</sup>

Critique against the large public sector and centralised labour market model had been voiced throughout the 1980s especially by private business, its influential think tank EVA (Finnish Business and Policy Forum) and employer organisations.<sup>32</sup> As noted earlier, liberalisation of finance markets, privatisation of state-owned enterprises and introduction of New Public Management had begun in the 1980s as seemingly apolitical processes. The economic depression nevertheless opened a completely new window for public sector cuts and market-oriented reforms. They could be justified as necessary for saving the core elements of the Finnish welfare state, which different groups defined in very different ways.<sup>33</sup> The Young Finns joined this wave and went further in their demands than traditional centre-right parties. In their own words, they wanted 'radical tax, social security and labour market reforms',<sup>34</sup> which will be analysed below. First, however, I will take a more general look at the political philosophy and self-identification of the Young Finns.

<sup>28</sup> Jenni Karimäki, 'From Protest to Pragmatism: Stabilisation of the Green League into Finnish Political Culture and Party System during the 1990s', *Contemporary European History*, 31 (2022), doi: 10.1017/S0960777321000382; Mickelsson, *Suomen puolueet*, 240, 245–53.

<sup>29</sup> Nuorsuomalaisuus nyt! Eli lyhyt johdatus uuden nuorsuomalaisen liikkeen ajatteluun, He:1 Program work, YFA, KA. All direct quotes from Finnish primary sources are translated by the author.

<sup>30</sup> Lars Jonung, Jaakko Kiander and Pentti Vartia, 'The Great Financial Crisis in Finland and Sweden: The Dynamics of Boom, Bust and Recovery, 1985–2000', in Lars Jonung, Jaakko Kiander and Pentti Vartia, eds., *The Great Financial Crisis in Finland and Sweden: The Nordic Experience of Financial Liberalization* (Cheltenham: Edward Elgar, 2009); Ilkka Kärriälä, *Democracy and the Economy in Finland and Sweden since 1960: A Nordic Perspective on Neoliberalism* (Cham: Palgrave Macmillan, 2021), 257–60, 279–81.

<sup>31</sup> Anu Kantola and Johannes Kananen, 'Seize the Moment: Financial Crisis and the Making of the Finnish Competition State', *New Political Economy*, 18, 6 (2013), 815–16; Pauli Kettunen, 'The Tension between the Social and the Economic', in Jari Eloranta, Jukka Jalava and Jari Ojala, eds., *The Road to Prosperity: An Economic History of Finland* (Helsinki: Suomalaisen Kirjallisuuden Seura, 2006), 310.

<sup>32</sup> Wuokko, 'Business in the Battle of Ideas'.

<sup>33</sup> Anu Kantola, *Markkinakuri ja managerivalta: Poliittinen hallinta Suomen 1990-luvun talouskriisissä* (Helsinki: Lohi-kirjat, 2002), 168–74; Julkunen, *Suunnanmuutos*, 78–80.

<sup>34</sup> Tasavero on tie ulos umpikujasta, Hh:1 Risto E.J. Penttilä's manuscripts, YFA, KA.



### Neoliberals or Centrist Liberals?

The Young Finns wanted to modernise Finland into a more individualistic, pluralistic and market-oriented society. This was intended as a significant break in the country's history and political culture, which in the pamphlet *Ultimatum for the Fatherland* was described with four negative C's: consensus, corporatism, collectivism and conservatism. The pamphlet criticised Finland's weak liberal tradition and Hegelian, state-centred political culture that had been strengthened during the Cold War by the Soviet-friendly foreign policy of Presidents Paasikivi and Kekkonen. The old parties were criticised for upholding this regime. The Young Finns found it understandable that a strong state had been viewed as a guarantee for Finnish autonomy and independence in the early 20th century, but now it was time to adopt a more individualistic and 'rational' culture in a globalising world.<sup>35</sup>

For the Young Finns, official integration with the West and especially with the Anglo-Saxon sphere, which upheld the values of liberal democracy and a free market economy, was an integral part of the transformation of Finland's political culture. The party supported European integration and Finland's membership in the European Union (EU), but at the same time, the party emphasised good relations with Russia and the Baltic states. Integration with the Euro-Atlantic security community was to be carried out in a way that would not antagonise Russia.<sup>36</sup> During their term in parliament, the Young Finns turned from viewing Finland's North Atlantic Treaty Organization (NATO) membership as a serious option to being the first Finnish political party to openly support it.<sup>37</sup>

To stress their position as outsiders and modernisers, the Young Finns wanted to appear as a loose political movement rather than a party. This has been a common strategy of new political movements, such as the Greens and the populist right, for decades.<sup>38</sup> The Young Finns portrayed themselves as advocates of rationalism and modernity against Finland's stagnant and corrupt political regime, which concentrated on guarding established and particular interests.<sup>39</sup> According to their first political platform, the party was 'an ideational coalition and an election organisation, whose intellectual foundation is in humanism and a liberal worldview'. It described a good society as pluralistic and 'centred on individuals and communities'.<sup>40</sup>

Like critics of the old regime often do, the Young Finns wanted to reform parliamentary democracy by moving power from political parties to individuals. MPs were to be elected from among the country's most competent and merited people instead of career politicians and to make informed and independent political judgements without party discipline. The Young Finns wanted to introduce a system of 'single transferable vote', where voters would place several candidates in an order of preference. They also called for binding referenda on significant political issues.<sup>41</sup>

The Young Finns were reluctant to position themselves on the left–right axis and argued that the distinctions of individualism versus collectivism and reformism versus continuity were more relevant. On these axes, they found themselves on the first-mentioned ends, while old parties in their view promoted continuity and collectivism. The Greens were the other clearly reformist party, but the Young Finns found them relying too much on collectivistic solutions.<sup>42</sup> They viewed the Social Democratic Party (SDP) more positively. The SDP had taken steps towards individualism with its new leader Paavo Lipponen and presidential candidate Martti Ahtisaari, who supported Finland's membership

<sup>35</sup> Risto E.J. Penttilä, Jaakko Tapaninen and Janne Jutila, *Ultimatum isänmaalle: Nuorsuomalainen näkemys Suomen mahdollisuuksista* (Helsinki: Otava, 1994), 25–33; Risto E.J. Penttilä, 'Koko programmi täytäntöön', *Suomen Kuvalehti*, 78, 14 (1994), 13; On Hegelianism and holistic nationalism in Finland see Stenius and Turunen, 'Finnish Liberalism', 49–58.

<sup>36</sup> Program of the Young Finns 1994 <https://www.fsd.tuni.fi/pohtiva/ohjelmalistat/NSP/325> (last visited 19 Feb. 2022); General program of the Young Finns 1998, He:1 Program work, YFA, KA, 18–19.

<sup>37</sup> Tarkka, *Kysyjän osa*, 286–8.

<sup>38</sup> Mickelsson, *Suomen puolueet*, 245–53.

<sup>39</sup> Tarkka, *Kysyjän osa*, 29–30.

<sup>40</sup> Program of the Young Finns 1994.

<sup>41</sup> Penttilä, Tapaninen and Jutila, *Ultimatum isänmaalle*, 115–16; Tarkka, *Kysyjän osa*, 131–3; Program of the Young Finns 1994.

<sup>42</sup> Tarkka, *Kysyjän osa*, 45; Nuorsuomalaisten poliittinen kartta, He:1 Program work, YFA, KA.

in the EU and understood the benefits of free markets.<sup>43</sup> In 1995, Lipponen became Prime Minister and formed a broad coalition government with the NCP, Greens, Left Alliance and Swedish People's Party. The leading party of the previous government, the Centre Party, was left in opposition. Lipponen's government took Finland into the European Monetary Union and continued major spending cuts in order to decrease the level of public debt.<sup>44</sup>

Media and political opponents often called the Young Finns a neoliberal party, which appealed to educated, urban and high-income people.<sup>45</sup> At the time 'neoliberal' was a pejorative label in Finland, referring especially to the politics of Ronald Reagan and Margaret Thatcher, which were believed to seriously undermine the welfare state.<sup>46</sup> In the pamphlet *Ultimatum for the Fatherland*, the founding members argued that the Young Finns did not advocate neoliberalism, which they likewise associated with Thatcherism and Reaganism. They portrayed *laissez-faire* as an undesirable state of affairs that could come about if the old collectivistic state retreated in an uncontrolled manner. Instead, the state should help create new structures that would combine individualism with voluntaristic mutual responsibility.<sup>47</sup> In their public statements, the Young Finns emphasised that they were 'centrist liberals' and did not call for a minimal state. They supported social responsibility and wanted to retain and even strengthen the state's role in education, healthcare, research and development (R&D) investment and environmental protection.<sup>48</sup> They stressed that public institutions were needed for solving problems for which individuals and communities had insufficient resources. Their task was 'to enable the initiative of people and communities and take care of those who could not do so by themselves or with the help of their community'.<sup>49</sup> After the economic crisis, however, it seemed that Finland could not afford the welfare state of the 1980s. The Young Finns wanted to save the 'healthy core' of the welfare state and turn it into a 'welfare society' that would serve people.<sup>50</sup>

Even though society would provide education, healthcare and minimum social security, the Young Finns wanted to stress the responsibility of individuals and communities as providers of wellbeing. They believed that if the state retreated a few steps, room for true community spirit would open up.<sup>51</sup> This echoes the rhetoric emphasising the role of independent civil society and criticising the state, which became prominent in the 1980s and 1990s in the West and former communist countries alike.<sup>52</sup> However, this communitarian ethos remained quite vague in the Young Finns' programmes. It was not always clear what kinds of communities the party was talking about and how they could be strengthened in an era that was commonly viewed as one of individualisation and marketisation that were eroding traditional communities rather than strengthening them. One basic community the Young Finns emphasised was the nation, which according to them was more important than the state.<sup>53</sup> Their concept of nation had more cosmopolitan connotations than in traditional nationalistic rhetoric, but this theme remained somewhat underdeveloped in the party's thinking. It was perhaps designed to appeal broadly to all Finns, who were generally considered patriotic.

The Young Finns most likely criticised neoliberalism to avoid coming across as opponents of the welfare state, which would have guaranteed their remaining in the political margin. At the same time, however, they advocated many core neoliberal ideas regarding individualism, free markets, taxation,

<sup>43</sup> 'Suomen tulisi tukeutua länteen hallitusti', *ESS*, 1 Feb. 1994, 12

<sup>44</sup> Outinen, 'From Steering Capitalism to Seeking Market Acceptance', 400–2.

<sup>45</sup> For example, Erkki Teikari, 'Näkyminen ei riitä politiikaksi', *Satakunnan Kansa*, 23 Aug. 1995.

<sup>46</sup> For example, Hannu Koskela, 'Suomi killuu kuilun partaalla', *Apu*, 12 Mar. 1993, 42–3; Mikko Heikka, 'Uusliberalismi – liberalismmin loppu?', *Suomen Kuvalehti*, 28 May 1993, 44–5.

<sup>47</sup> Penttilä, Tapaninen and Jutila, *Ultimatum isänmaalle*, 109–14.

<sup>48</sup> Olli Pusa and Timo Hämäläinen, 'Nuorsuomalaisuus ei ole uusliberalismia!', *Helsingin Sanomat*, 28 Jan. 1995, 15.

<sup>49</sup> Program of the Young Finns 1994.

<sup>50</sup> Demokratian tulevaisuus, Turku, 1 Dec. 1994. Hh:2 Jukka Tarkka's Manuscripts, YFA, KA.

<sup>51</sup> Risto E.J. Penttilä's speech, 11 Jun. 1994, Hh:1 Risto E.J. Penttilä's manuscripts, YFA, KA.

<sup>52</sup> Jessica Whyte, *The Morals of the Market: Human Rights and the Rise of Neoliberalism* (London: Verso, 2019), 15–17, 24–5; Lars Trägårdh, ed., *Civilt samhälle kontra offentlig sektor* (Stockholm: SNS förlag, 1995); Kristina Boréus, *Högervåg: Nyliberalism och kampen om språket i svensk offentlig debatt 1969–1989* (Stockholm: Tiden, 1994), 269–75.

<sup>53</sup> Penttilä, Tapaninen and Jutila, *Ultimatum isänmaalle*, 110.

social security and the ambition to retask the state to support markets and individual initiative. The party put forward economic and social policy proposals that were very radical in the Finnish context and could be traced to the writings of prominent neoliberals like Hayek and Friedman. They advocated a negative income tax and preferred flat-rate taxes over progressive taxation. Like Hayek, they argued that society should only provide minimum security – not guarantee already achieved living standards.<sup>54</sup>

In their pamphlet, Penttilä and company wrote warmly about Hayek and acknowledged his role as the intellectual father of neoliberalism. They called Hayek ‘one of the most insightful critics of the welfare state’, whose ideas had again become relevant, as the welfare state had turned into a ‘patronising state’ (*holhousvaltio*), where leftist ideas of economic planning undermined private enterprise.<sup>55</sup> Penttilä et al. argued, however, that neoliberalism of the 1980s had falsely relied on the omnipotence of free markets and the price mechanism and viewed humans merely as economic actors. The Young Finns reserved instead a constructive role for the state and considered humans primarily as moral actors. According to Penttilä et al., their economic thinking was based on some neoliberal ideas but more importantly on their critique.<sup>56</sup>

Despite criticising neoliberalism, the Young Finns often took the Anglo-Saxon countries as prime examples of new, more dynamic states that had been trimmed to survive in the globalised world. According to Penttilä, the United Kingdom had managed to nurture its citizens’ initiative and responsibility. It had understood that the state of the future was ‘slim and talented’ instead of ‘large and steering’ like Germany and France, which seemed to be collapsing under their social expenses and inflexible labour markets.<sup>57</sup> Penttilä has later been willing to call the Young Finns a ‘Nordic version’ of Thatcher and Reagan. He has admitted that the politics of the two leaders inspired him while studying in the United States and the United Kingdom in the 1980s. In Penttilä’s eyes, they succeeded in boosting the economy and national spirit.<sup>58</sup> Another country of inspiration was New Zealand, the international showcase of neoliberal reforms with its tax cuts and labour market decentralisation. According to Inka Hein, secretary of the Young Finns parliamentary group, New Zealand had ‘found a way out from being a degrading welfare state into becoming a blossoming national economy’.<sup>59</sup>

The admiration of Anglo-Saxon countries always came with certain reservations, which highlights the Young Finns as a promoter of a distinctively Finnish variant of neoliberalism. Penttilä declared in 1995 that letting go of the old social state would give stronger weight to freedom, even ‘libertarian freedom’, but it would not lead to social Darwinism or *laissez-faire*.<sup>60</sup> In a strategy document from 1997, the Young Finns acknowledged that they had points of similarity with libertarianism and the ‘Anglo-American individualist tradition’, which was juxtaposed with the ‘European institution-centred tradition’. The greatest difference with libertarianism was the party’s more ‘pragmatic’ relationship with liberty, which gave the state a more significant role than a mere nightwatchman. The state was to provide services that would help people to take control of their own lives.<sup>61</sup> Ideas of taking the welfare state in a more liberal and individualistic direction were not entirely new in Finland. The business think tank EVA, where Jukka Tarkka had worked as a director, had already in the 1980s presented similar ideas on turning the welfare state into a lighter and more focused ‘coaching state’ (*valmentajavaltio*). Like the Young Finns, EVA dissociated itself from the label of neoliberalism and portrayed itself as a pragmatic advocate of individualism and the market economy.<sup>62</sup>

<sup>54</sup> Program of the Young Finns 1994; Penttilä, Tapaninen and Jutila, *Ultimatum isänmaalle*, 83–6, 100–4. For Hayek’s take on this question see Friedrich Hayek, *The Road to Serfdom* (Chicago: University of Chicago Press, 1944), 120–3.

<sup>55</sup> Penttilä, Tapaninen and Jutila, *Ultimatum isänmaalle*, 40–2.

<sup>56</sup> *Ibid.*, 43–5.

<sup>57</sup> Risto E.J. Penttilä, 24 Mar. 1998: Tarvitsemme myös verouudistuksen, D:4 Press releases, YFA, KA.

<sup>58</sup> Risto E.J. Penttilä’s interview, 15 Nov. and 14 Dec. 2016, Oral History Archive of Finnish Parliament, 6, 18.

<sup>59</sup> Inka Hein, ‘Uuden-Seelannin lääkkeet’, *Ilta-Sanomat*, 23 Mar. 1996.

<sup>60</sup> Päästetään Suomi irti! Speech at the Young Finns annual conference, 19 Aug. 1995, D:4 Press releases, YFA, KA.

<sup>61</sup> Strategy of the Young Finns for the years 1997–1999, 7 Apr. 1997, He:1 Program work, YFA, KA, 4–5.

<sup>62</sup> Wuokko, ‘The Curious Compatibility’.



### Pursuing a Radical Tax Reform

One of the key elements in the Young Finns' vision of a slimmer and more focused state was lowering Finland's overall tax rate significantly. The party aimed for a drop from the prevailing level of over 45 per cent of the GDP to less than 40 per cent. They spoke for a tax regime that would treat all forms of income equally. Wages and capital gains were to be taxed by the same flat rate of 25–30 per cent while granting a certain level of tax-free income, which would effectively keep the taxation of total annual income progressive. For the largest incomes, the party was also ready to consider a marginal tax rate of 50 per cent. A key aim was to incentivise work and entrepreneurship, and therefore, the focus of taxation was to be moved to consumption and harmful activities. The Young Finns were also willing to raise property and inheritance taxes, which would not disincentivise work.<sup>63</sup>

These ideas were in line with what mainstream economics at the time considered 'efficient taxation'<sup>64</sup> and were justified with similar arguments. Penttilä expressed the belief that was manifested in the famous Laffer curve used by Reagan's administration: with too high tax rates, the tax yield would eventually be smaller, as people would lack incentive to work and take initiative.<sup>65</sup> Penttilä believed that lower taxes and a smaller public sector were pragmatic choices if globalisation proved to be a lasting phenomenon, as it seemed in the 1990s. According to him, it was necessary to 'decentralise responsibility and decision-making to individuals', which would allow quicker adaptation than the slow-turning 'institution- and politics-based societal model'.<sup>66</sup> Using a common trope, the Young Finns argued that the public sector should move from redistributing incomes to creating new welfare.<sup>67</sup>

The tax rates that the Young Finns initially proposed would have decreased the tax yield by billions of marks.<sup>68</sup> A calculation by former liberal MP Jaakko Itälä suggested that if tax-free income was 53,000 marks per year, the flat rate would have to be 55 per cent in order for the reform to be fiscally neutral.<sup>69</sup> In their later tax reform model from 1998, the Young Finns set tax-free income at 4000 marks per month and raised their proposed flat tax to 47 per cent, which would be divided between the state and municipalities. In the longer term, it was to be brought down to 30–35 per cent, but even the 47 per cent rate would have lowered the effective tax rate for medium incomes (10,000–12,000 marks per month) by around 10 percentage points.<sup>70</sup>

The Young Finns' proposals were thus quite radical, and no other Finnish party advocated similar reforms. The NCP shared the general ambition of lowering taxes and focusing on taxing consumption and harm instead of income, but it did not seek to overthrow the prevailing progressive tax system.<sup>71</sup> The leading government party, the Social Democrats, advocated and carried out only moderate decreases in income taxation that would focus on low and middle incomes.<sup>72</sup> Even though some individual MPs from other parties gave their support to the Young Finns' tax programme, it was not taken seriously on the agenda of Finnish political debate.<sup>73</sup>

The Young Finns stressed the importance of spending cuts in order to lower the public debt that had been accumulated during the depression. However, they did not provide very detailed plans on these cuts, which would have been required to match the greatly decreasing tax yields of their reforms.

<sup>63</sup> Program of the Young Finns 1994.

<sup>64</sup> Avner Offer and Gabriel Söderberg, *The Nobel Factor: The Prize in Economics, Social Democracy, and the Market Turn* (Princeton: Princeton University Press, 2016), 170–2.

<sup>65</sup> Risto E.J. Penttilä, 'Nyt tarvitaan radikaalisia verotukseen', *Suomen Kuvalehti*, 79, 49 (1995), 44–5.

<sup>66</sup> Risto E.J. Penttilä, 24 Mar. 1998: Tarvitsemme myös verouudistuksen. D:4 Press releases, YFA, KA.

<sup>67</sup> Economic program of the Young Finns, 17 Nov. 1995, He:1 Program work, YFA, KA, 4.

<sup>68</sup> *ESS*, 9 Sep. 1995, 11.

<sup>69</sup> Jaakko Itälä, 'Tasavero ei loivenna progressiota', *Suomen Kuvalehti*, 79, 35 (1995), 12–13.

<sup>70</sup> Nuorsuomalaisten perusturva – sosiaaliturva ilman talutushihnaa, He:1 Program work, YFA, KA.

<sup>71</sup> Kansallinen kokoomus, *Periaateohjelma 1993* (Helsinki: Kansallinen kokoomus, 1993), <https://www.fsd.tuni.fi/pohtiva/ohjelmalistat/KOK/63> (last visited 19 Feb. 2022); Kansallinen kokoomus, *Tavoiteohjelma 1995–1999* (Helsinki: Kansallinen kokoomus, 1995), <https://www.fsd.tuni.fi/pohtiva/ohjelmalistat/KOK/83> (last visited 19 Feb. 2022).

<sup>72</sup> Julkunen, *Suunnanmuutos*, 203–4.

<sup>73</sup> Tarkka, *Kysyjän osa*, 135–7.

In their first shadow budget, the party proposed a slight increase in value added tax and removing the deductibility of trade union fees, but otherwise they mostly relied on less specified savings in social security, ‘bureaucracy’ and subsidies to private business and agriculture.<sup>74</sup>

### Securing Universal Public Services While Limiting Cash Benefits to a Minimum

In their platform of 1994, the Young Finns stated that the success of social security was to be measured by two simple principles: ‘if it incentivises independent life and work in all situations and how well it takes care of the worst off in society’.<sup>75</sup> The party programme from 1998 declared: ‘In a Young Finns society, everyone has the possibility to be a self-made person, but no one is left to their own devices’.<sup>76</sup> These principles meant that society was to secure a minimum subsistence in all situations, but there should always be incentive for extra work as well as short-term and low-wage work. This was to be achieved with a social security reform, whose cornerstone was unconditional minimum income for every citizen in the form of negative income tax or universal basic income (UBI). It was to minimise bureaucracy and make people free to pursue the activities of their own desire.<sup>77</sup>

UBI, or a citizen’s wage, had been discussed in Finland since the 1980s, but initially the only party to actually support these ideas was the Green League.<sup>78</sup> A social security reform committee investigated UBI in the 1990s but ultimately did not recommend it. At this point, basic income was discussed predominantly from the perspective of work incentives instead of citizen rights or equality. Along with the Young Finns and Greens, the Centre Party and Left Alliance became more open to some form of basic income. However, trade and employer unions as well as the government parties SDP and NCP opposed UBI as being too expensive and leading to lack of incentive. They preferred existing, means-tested and partly earnings-related sickness, parental and unemployment benefits. The Social Democrats and trade unions also feared that a basic income would open the door for more low-wage work and the dismantling of earnings-related social security.<sup>79</sup> For the unemployed, the government introduced stricter conditionality and activation measures instead of unconditional benefits. They increased bureaucracy as a necessary step because of the escalating unemployment expenses during and after the economic crisis. Many scholars consider these reforms a further step in the neoliberalisation of Finnish social policy.<sup>80</sup>

One of the most famous advocates of negative income tax has been Milton Friedman, and there are many parallels between his ideas and the Young Finns’ models, such as keeping the minimum income very low. This distinguishes neoliberal models from many centrist and leftist versions of UBI.<sup>81</sup> At first, the Young Finns did not produce detailed models of combining a negative income tax, tax-free income and flat-rate tax for exceeding incomes. Sometimes they suggested that the minimum income would be close to existing minimum benefits, 3000–4000 marks per month, equivalent to around 700–900 euros in 2022 monetary value.<sup>82</sup>

In later, more detailed models, the minimum income was dropped to 2500<sup>83</sup> and then to 1300 marks – much lower than existing minimum benefits. It had to be combined with market income

<sup>74</sup> Nuorsuomalaisten varjobudjetti vuodelle 1996, He:1 Program work, YFA, KA.

<sup>75</sup> Program of the Young Finns 1994.

<sup>76</sup> General program of the Young Finns 1998, He:1 Program work, YFA, KA, 4.

<sup>77</sup> Nuorsuomalaisten perusturva – sosiaaliturva ilman talutushihnaa, He:1 Program work, YFA, KA.

<sup>78</sup> Vihreä liitto, *Yleisohjelma 1988* (Helsinki: Vihreä liitto, 1988), <https://www.fsd.tuni.fi/pohtiva/ohjelmalistat/VIHR/883> (last visited 19 Feb. 2022); Vihreä liitto, *Puolueohjelma 1990* (Helsinki: Vihreä liitto, 1990), <https://www.fsd.tuni.fi/pohtiva/ohjelmalistat/VIHR/884> (last visited 19 Feb. 2022).

<sup>79</sup> Johanna Perkiö, ‘Framing Basic Income in Finnish Politics’, PhD Thesis, Tampere University, 2021, 42–3, 77–81; Outinen, *Sosiaalidemokraattien tie*, 285–8.

<sup>80</sup> Kantola and Kananen, ‘Seize the Moment’; Outinen, ‘Syrjäyttikö aktivointi aktiivisen työvoimapolitiikan?’, *Kansallinen kokoomus, Tavoiteohjelma 1995–1999*.

<sup>81</sup> Milton Friedman and Rose Friedman, *Free to Choose* (London: Secker & Warburg, 1980), 119–24.

<sup>82</sup> Penttilä, Tapaninen and Jutila, *Ultimatum isänmaalle*, 103–4; Tarkka, *Kysyjän osa*, 144–5.

<sup>83</sup> Visio nuorsuomalaisesta sosiaaliturvasta, 27 Jan. 1995, He:1 Program work, YFA, KA.

and other forms of social security, such as housing benefits with large deductibles, service vouchers for the care of children and the elderly and a loan-based 'social security account' where people would have to pay back their received benefits from future income. In addition, the Young Finns proposed 'citizen work' to everyone interested. This meant public sector jobs with very low salaries that would not compete with market-based jobs but give an incentive to find one. Those unable to work due to medical conditions would have received up to 250 per cent of the minimum income, which could have been supplemented with 'special support' for necessary expenses, such as medication. The entire model was supposed to save the public sector 66 billion marks (15 billion euros in 2022 value) in social expenses.<sup>84</sup>

Since their first platform, the Young Finns argued that earnings-related benefits for sickness, unemployment and pension should be financed only through voluntary insurance and savings. The public sector was not to take part in earnings-related social security in any way, as it was impossible to protect citizens from all uncertainties. The Young Finns justified their position with a similar phrasing Hayek had used in *The Road to Serfdom*: 'society should not guarantee unchanging living conditions'.<sup>85</sup> This made the Young Finns stand out, as all other Finnish parties supported the system of publicly-funded earnings-related pensions and social benefits, which had the people's wide support. Even the NCP was uncompromising on this system, which in their view could only be supplemented with private and voluntary insurance.<sup>86</sup>

Despite wanting to get rid of generous social benefits, the Young Finns believed it important that society continue to provide universal healthcare, childcare and education services for its citizens. These were crucial for equality of opportunity, which was at the heart of the Young Finns' political philosophy. According to their platform, 'people must have an equal right to self-realisation and participation in work and other societal activities'.<sup>87</sup> This capacity was enhanced especially through education. However, the Young Finns argued that universal basic education should allow more diversity and specialisation, give tailored support to talented pupils and allow parents more freedom in choosing the school for their children.<sup>88</sup>

While championing universal education and healthcare, the Young Finns shared a key neoliberal idea by maintaining that the public sector could acquire most of these services from private producers. Increasing people's freedom of choice between different producers was an important goal for the party. This could be done, for example, with another practice made famous by Milton Friedman: by providing service vouchers for citizens, who could use them to purchase services from the producer of their choice.<sup>89</sup> These ideas had already been widely adopted and implemented in the Nordic countries by centre-right parties and social democrats alike. Following the ideas of mainstream economics and the influential Public Choice Theory, whose conceivers James Buchanan and Gordon Tullock were members of the neoliberal 'thought collective', private service producers and citizens' free choice between them were believed to increase efficiency and decrease bureaucracy in public services.<sup>90</sup> Finland, however, was slower to adopt these ideas than Sweden or Denmark, which began marketisation and outsourcing of public services in the 1980s.<sup>91</sup>

<sup>84</sup> Nuorsuomalaisten perusturva – sosiaaliturva ilman talutushinnaa, He:1 Program work, YFA, KA.

<sup>85</sup> Program of the Young Finns 1994; Hayek, *The Road to Serfdom*, 120–3.

<sup>86</sup> Kansallinen kokoomus, *Periaateohjelma* 1993; Kansallinen kokoomus, *Tavoiteohjelma* 1995–1999.

<sup>87</sup> Program of the Young Finns 1994. The distinction between equality of opportunity and equality of outcome was important also for Milton Friedman. See Friedman and Friedman, *Free to Choose*, 128–49.

<sup>88</sup> General program of the Young Finns 1998, He:1 Program work, YFA, KA, 6.

<sup>89</sup> Program of the Young Finns 1994; Tarkka, *Kysyjän osa*, 130–1; Friedman and Friedman, *Free to Choose*, 158–75.

<sup>90</sup> Paula Blomqvist, 'The Choice Revolution: Privatization of Swedish Welfare Services in the 1990s', *Social Policy & Administration*, 38, 2 (2004), 139–55; Olsen, *The Sovereign Consumer*, 213–26; Hugemark, *Den fängslade marknaden*.

<sup>91</sup> Julkunen, *Suunnanmuutos*, 275–83.

### Ending Unemployment with a Flexible Labour Market

A dominant theme in the thought and rhetoric of the Young Finns was critique of Finland's corporatist labour market system and especially trade unions. They were portrayed as remnants of the old collectivistic regime and hindrances to Finland's individualisation and economic growth. Following the dominant discourse of mainstream economics and recommendations by the OECD, the Young Finns talked a lot about the need for 'structural reforms'. This meant labour market and social security reforms that would incentivise people to take jobs with lower wages and more flexible terms and conditions. Finland's plan to join the European Monetary Union and the challenge to the welfare state imposed by the aging population made the need for structural reforms seem even more pressing.<sup>92</sup> This debate was familiar in all advanced capitalist countries. As production chains had become more globalised and flexible, labour markets also had to be flexible. In most Western countries, this led to a move towards growing liberalisation and employer discretion with local characteristics. In Anglo-Saxon countries it meant a more profound institutional change and undermining of trade unions, whereas in the Nordic countries the change took the shape of 'coordinated decentralisation' realised through existing centralised and corporatist labour market institutions.<sup>93</sup>

For the Young Finns, like many other reformers, a significant obstacle on the way to a flexible labour market was the trade union movement. MP Jukka Tarkka argued on many occasions how trade unions had been needed in the old industrial society to improve the position of workers, but in the post-industrial society, traditional classes had been eradicated and workers were able to negotiate individually with their employers to reach mutually satisfying agreements. Trade unions were only taking power away from the individual employees, who could very well protect themselves. Tarkka was also highly critical of strikes, which in his view hurt outsiders more than the employer, and lamented the way in which labour market parties could exert influence on social policy and tax legislation.<sup>94</sup> This was a standard critique against the centralised and tripartite Nordic labour market models.

The Young Finns attacked especially Finland's centralised labour market agreements, which set binding minimum wages and other terms and conditions also on non-unionised employers and workers. The party wanted minimum terms and conditions to be determined in legislation, but otherwise workers were to freely negotiate with their employers either individually or collectively. Trade unions were not to be given any privileges in bargaining.<sup>95</sup> Combined with 'incentivising' taxation and social security, they believed these reforms would put an end to Finland's mass unemployment and increase employment significantly also in low-wage sectors and among older and less-educated people. According to Penttilä, centrally determined wages guaranteed that the unemployment level would stay at 10–20 per cent. They were hence the 'worst enemy' of the unemployed, a belief that neoliberals like Friedman had been eager to express.<sup>96</sup> However, Penttilä did not discuss why nearly full employment had been possible in Finland and Sweden up until the 1990s economic crisis with the same centralised labour market models. Perhaps globalisation and structural change had not yet progressed far enough. The Young Finns believed that a more flexible labour market was absolutely necessary in a post-industrial world, where stable wage work was a thing of the past and people increasingly had to combine wage and entrepreneurial income to make a living.<sup>97</sup>

The Young Finns thus wanted to move from Nordic-style centralised bargaining towards an Anglo-Saxon model with strong enterprise- and workplace-level bargaining. This was again

<sup>92</sup> Economic program of the Young Finns, 17 Nov. 1995, He:1 Program work, YFA, KA, 3; Yhteinen valuutta edellyttää suuria reformeja, Hh:1 Risto E.J. Penttilä's manuscripts, YFA, KA.

<sup>93</sup> Baccaro and Howell, 'A Common Neoliberal Trajectory'.

<sup>94</sup> Tarkka, *Kysyjän osa*, 20–2, 121–9, 134–5; Jukka Tarkka, 'Mitä ay-liikkeelle oikein tapahtuu?', *ESS*, 27 May 1996, 2.

<sup>95</sup> Sopimus sitoo sopimuksen tekijöitä, 13 Jun. 1995, Hh:2 Jukka Tarkka's manuscripts, YFA, KA; Program of the Young Finns 1994.

<sup>96</sup> TUPO on työttömän pahin vihollinen, Hh:1 Risto E.J. Penttilä's manuscripts, YFA, KA; Friedman and Friedman, *Free to Choose*, 232–8.

<sup>97</sup> General program of the Young Finns 1998, He:1 Program work, YFA, KA, 14–7.

contradictory with the party's efforts to distance themselves from neoliberalism. A commonly cited example was New Zealand, which decentralised collective bargaining in the 1980s.<sup>98</sup> New Zealand's reforms left bargaining entirely to enterprises, and trade unions needed a signed consent from each individual employee for whom they negotiated. The country had reduced public debt and dropped unemployment to 6 per cent with this model, but the real income of many people decreased for several years. Union membership dropped from 50 to 20 per cent and the number of unions from 300 to 25.<sup>99</sup> Penttilä argued that wages had gone down only for a small minority of New Zealand workers, but he admitted that there would not be high-paying jobs for everyone in Finland either. Sufficient income for low-wage workers would be secured with low taxation and UBI.<sup>100</sup>

The Young Finns were not alone with their pursuit of a flexible labour market. Finnish employer organisations had already since the early 1980s criticised the centralised model and called for more flexibility and local bargaining. Political parties had been slower to adopt these ideas, but during and after the economic crisis of the 1990s they became widespread. Even the Social Democrats became eager advocates of a more flexible labour market.<sup>101</sup> Social scientist Anu Kantola has shown how the crisis was commonly viewed as punishment for Finland's inefficient economic structures. High unemployment was taken as a necessary phase in turning Finland into a 'true' market economy engaged in global competition.<sup>102</sup>

Changing attitudes towards centralised bargaining are visible, for example, in the NCP programmes. In 1995 it still stressed centralised tripartite bargaining but also called for increased negotiation in workplaces between workers and employers.<sup>103</sup> In 1999, the NCP already stated that local bargaining should be possible on all issues except for minimum wages. A growing share of wages was to be based on individual competence or the enterprise's profit. According to the NCP, terms and conditions of employment were to be agreed in enterprises 'as far as possible'.<sup>104</sup>

While in opposition, the Centre Party began to advocate for a radical 'labour reform', which would have abolished generally binding collective agreements and introduced many other labour market flexibilisations. The Young Finns welcomed this initiative and even negotiated on an election alliance with the Centre, but the cooperation withered away when the latter softened its demands because of public critique.<sup>105</sup> It is difficult to say whether the Young Finns influenced the labour market policy of other parties or merely followed the same transnational trends. However, they certainly contributed to the public atmosphere, which was constantly becoming more critical towards trade unions and centralised bargaining. During the 1990s, local bargaining on wages, working hours and many other issues increased significantly in practice but always within the confines agreed on the national level between trade and employer unions.<sup>106</sup>

### A Dynamic Knowledge Economy as the Motor of Future Growth

The Young Finns promoted the common liberal view that the public sector should be limited to absolutely necessary functions which the private sector was not able to provide. The party claimed to possess a rational and fact-based view on what these functions were. 'The society should not pursue

<sup>98</sup> Tanskan malli on huono malli, speech 17 Dec. 1996, Hh:1 Risto E.J. Penttilä's manuscripts, YFA, KA; Inka Hein, 'Uusi-Seelanti ei ole köyhän helvetti', *Helsingin Sanomat*, 2 Apr. 1996.

<sup>99</sup> ESS, 18 Feb. 1996, 15; Julkunen, *Suunnanmuutos*, 283–4.

<sup>100</sup> Heikki Haapavaara, 'Ensin verot alas!', *Ilta-Sanomat*, 24 Feb. 1996, 26

<sup>101</sup> Outinen, *Sosiaalidemokraattien tie*, 289–96.

<sup>102</sup> Kantola, *Markkinakuri ja managerivalta*, 168–74.

<sup>103</sup> Kansallinen kokoomus, *Tavoiteohjelma 1995–1999*.

<sup>104</sup> Kansallinen kokoomus, *Tavoiteohjelma 1999–2003* (Helsinki: Kansallinen kokoomus, 1999), <https://www.fsd.tuni.fi/pohtiva/ohjelmalistat/KOK/84> (last visited 19 Feb. 2022).

<sup>105</sup> Tarkka, *Kysyjän osa*, 208–12.

<sup>106</sup> Ilkka Kärrylä, 'Työntekijöiden osallistumista vai pakotettua joustavuutta? Työmarkkinakeskusjärjestöjen näkemykset paikallisesta sopimisesta 1980–1990-luvuilla', in Pauli Kettunen, ed., *Työntekijän osallisuus: Mitä se on ja mitä sillä tavoitellaan* (Helsinki: Gaudeamus, 2021), 55–73.



activities that can be given to enterprises operating in free markets', their platform stated.<sup>107</sup> In addition to earnings-related social benefits, the Young Finns wanted to significantly cut subsidies to private businesses and especially to agriculture in order to make room for the market mechanism. They also wanted to end the public monopolies in railway traffic and alcohol retail and privatise the Finnish Broadcasting Company and most state-owned enterprises, many of which had already been partially privatised and taken to the stock exchange. The party argued that Finnish employment and welfare could grow only by strengthening small and mid-sized enterprises through market liberalisation and labour market flexibilisation.<sup>108</sup>

The types of public activity the Young Finns embraced were investments in people's knowledge and competence, research and infrastructure. The party wanted to enhance the human capital and capacities of citizens and unleash their potential by promoting education, science and vibrant 'cultural infrastructure'. Cooperation between the state and private sector was to be developed in both basic and applied research.<sup>109</sup> Sometimes the party defined it as their mission to hasten the transition from industrial society to information society in order to create a better Finland. This required new education and innovation policies, while macroeconomic policies concentrating on interest rates and aggregate demand were said to belong to the old industrial society.<sup>110</sup> However, in their general programme of 1998, the Young Finns argued that the information society was advancing regardless of the hype around it, and the question was how to truly utilise its possibilities to change society.<sup>111</sup>

At times, the Young Finns portrayed their tax and social security reforms as enabling the creation of information society, while other times it was information society that enabled the reforms. Penttilä declared in 1995 that the time was truly ripe for relaxing regulation, taxation and social policy, as new information technology was going to produce a great boost for economic growth. According to him, the deregulation of the 1980s had not helped as expected because it was not accompanied by a 'technological boost' of the same magnitude. Penttilä saw that the internet would bring a profound change of social structures. It was not based on strict rules or administered by state bureaucrats but relied on the free association of autonomous individuals.<sup>112</sup> The Young Finns utilised the possibilities of the new World Wide Web concretely by opening their own website and – as the first Finnish party to do so – began publishing their magazine *LIVE!* as an online newsletter in the autumn of 1995.<sup>113</sup>

The adoption of the dominant 'information society' and 'knowledge economy' discourses of the 1990s placed the Young Finns on the same front as most other political groups. A broad consensus on promoting education, research and innovation was natural in many ways: it was a positive element in the neoliberal policy package by offering a vision of economic growth and rewarding high-skill jobs as a counterweight to public sector cuts and precarious work in low-skill sectors with deteriorating terms and conditions.<sup>114</sup> In Finland, all parties from left to right spoke for channelling public money to education, innovation and R&D. The NCP and Social Democrats were especially strong advocates of a 'national innovation system' and made it a cornerstone of their governmental programmes between 1995 and 2003.<sup>115</sup> Increased public R&D funding also contributed to the phenomenal growth of mobile phone company Nokia and the electronics sector around it, which in turn helped lift Finland from economic depression.

<sup>107</sup> Program of the Young Finns 1994.

<sup>108</sup> General program of the Young Finns 1998; Economic program of the Young Finns, 17 Nov. 1995, He:1 Program work, YFA, KA.

<sup>109</sup> Program of the Young Finns 1994.

<sup>110</sup> Risto Penttilä: Nuorsuomalaisen puolueen rooli ja tehtävä, 29 Nov. 1997; Timo J. Hämäläinen: Nuorsuomalainen valtio ja talouspolitiikka, 29 Aug. 1994, He:1 Program work, YFA, KA.

<sup>111</sup> General program of the Young Finns 1998, He:1 Program work, YFA, KA, 4.

<sup>112</sup> Risto E.J. Penttilä's speech at the Young Finns annual conference, 19 Aug. 1995, D:4, Press releases, YFA, KA.

<sup>113</sup> Tarkka, *Kysyjän osa*, 175–6.

<sup>114</sup> Andersson, *The Library and the Workshop*; Kettunen, *Globalisaatio ja kansallinen me*.

<sup>115</sup> Kansallinen kokoomus, *Tavoiteohjelma 1995–1999*; Suomen sosialidemokraattinen puolue, *SDP:n työelämän uudistamisohjelma 1998* (Helsinki: Suomen sosialidemokraattinen puolue, 1998), <https://www.fsd.tuni.fi/pohtiva/ohjelmalistat/SDP/478> (last visited 19 Feb. 2022).

## The Party Dissolves but People and Ideas Live On

After four years in the public limelight and at times very favourable polls, the Young Finns wanted to take a next step and increase their mandates in parliament. They strengthened their organisation and agreed on merging with the old Liberal Party after the election of 1999.<sup>116</sup> Electoral defeat and loss of both mandates was therefore a huge disappointment for the Young Finns. The party leadership swiftly decided to terminate the party, which outside parliament would no longer receive public funding, and continue activities in other forms, such as a think tank. According to Risto E.J. Penttilä, this decision meant humility before the will of the electorate.<sup>117</sup>

Party members found many explanations for the defeat. Due to their identity as a loose movement, they had initially been ideologically opposed to building a countrywide party organisation and forming election alliances with other parties. In the 1996 election for the European Parliament, an alliance with the NCP would have helped their popular candidate Jaakko Itoniemi, former diplomat and managing director of the business think tank EVA, to get elected. The Young Finns viewed defeat in this election as the beginning of their decline.<sup>118</sup> On the other hand, it seemed the Finnish people wanted 'more of the same', meaning continuation of the coalition between the Social Democrats and the Conservatives, corporatism and jobless growth instead of the reforms advocated by the Young Finns. Marko Hamilo, editor-in-chief of the party magazine, suggested that the Young Finns could continue as an association that would arrange seminars, publish books and be visible online. 'If the people were not civilised enough to want reforms, the people should be civilised', Hamilo concluded with a hint of elitism.<sup>119</sup>

The key members of the Young Finns have remained influential public figures in the 2000s despite the fall of their party. Jukka Tarkka continued as a prolific historian and columnist, building in his works a narrative of Finland's journey to become a truly Western and European country from the shadows of the Cold War and 'Finlandisation'.<sup>120</sup> Risto E.J. Penttilä worked as director of EVA from 2002 to 2010, a position Tarkka had held in the 1980s. Penttilä returned to the NCP and was their candidate for European Parliament in 2009 and for Finnish parliament in 2019. He was a substitute Member of the European Parliament (MEP) and would have received a seat in 2012 but did not get a leave of absence from his work as the CEO of the Finnish Chamber of Commerce.<sup>121</sup> Since 2017, Penttilä has been the CEO of Nordic West Office, a business consultancy and think tank, which he founded together with Jorma Ollila, the former CEO of Nokia.<sup>122</sup>

The Young Finns' existence was brief, but their ideas have gradually become more popular in Finland. Larger parties did not just provide 'more of the same' but adopted parts of the Young Finns' programme, which made it less attractive to vote for a small challenger party. The Finnish welfare state has neoliberalised in many ways. Privatisation of state-owned enterprises and outsourcing of public services have advanced significantly since the early 1990s, but the extent of competition and freedom of choice have been debated, especially in the case of healthcare. Conditionality of unemployment benefits has constantly become stricter, the gap between basic social security and average earnings has widened and taxes on capital gains have been lowered, which have contributed to growing income differences.<sup>123</sup>

<sup>116</sup> Tarkka, *Kysyjän osa*, 196–202.

<sup>117</sup> Risto E.J. Penttilä, 'Huikea hanke', *LIVE! Print*, 4, 2 (1999), 8.

<sup>118</sup> Risto E.J. Penttilä's interview, 15 Nov. and 14 Dec. 2016, Oral History Archive of Finnish Parliament, 24–5, 95–7; Marko Hamilo, 'Lisää samanlaista?', *LIVE! Print*, 4, 2 (1999), 2.

<sup>119</sup> Hamilo, 'Lisää samanlaista?'

<sup>120</sup> Jukka Tarkka, *Uhan alta unioniin: Asennemurros ja sen unilukkari Eva* (Helsinki: Otava, 2002); Jukka Tarkka, *Karhun kainalossa: Suomen kylmä sota 1947–1990* (Helsinki: Otava, 2012); Jukka Tarkka, *Lännen tiellä: Paasikivestä Niinistöön* (Helsinki: Otava, 2018).

<sup>121</sup> Juha-Pekka Raeste, 'Risto E.J. Penttilä ei lähde europarlamenttiin', *Helsingin Sanomat*, 2 Feb. 2012.

<sup>122</sup> <http://www.nordicwestoffice.com/> (last visited 19 Feb. 2022).

<sup>123</sup> Matti Tuomala, *Markkinat, valtio ja eriarvoisuus* (Tampere: Vastapaino, 2019); Julkunen, *Suunnanmuutos*, 142–204.

More radical ideas such as flat-rate taxes and limiting social security to an absolute minimum with negative income tax or basic income have made inroads in the NCP, even though they are still not part of the party's official platform. NCP's youth organisation and some notable politicians, such as the popular MP and party vice chair Elina Valtonen (former Lepomäki), have advocated for a 'social security account', which would combine a loan-based basic income with savings from personal income that would be used for social security. Ideally, the system would replace all universal and earnings-related social benefits at some point.<sup>124</sup> A restricted version of the social security account, which would only replace minimum student and unemployment benefits, has recently been discussed in a parliamentary committee for social security reform in Finland.<sup>125</sup> Juha Sipilä's centre-right government experimented with a small basic income among randomly selected unemployed persons in 2018–19, but the experiment was criticised for its short timeframe and for lacking a control group.<sup>126</sup> It seems that the current social security committee will reach the same conclusion as its predecessors and not recommend UBI.<sup>127</sup>

Labour market flexibilisation and decentralised bargaining are constant themes of Finnish public debate. They have advanced slowly due to the resistance of the trade union movement, whose power has gradually eroded but remains strong in international comparison. In 2016, however, the employer confederation EK decided to permanently withdraw from centralised bargaining. Recently, the significant technology and forest industry employer unions have questioned sectoral bargaining and decided to negotiate on terms and conditions of employment at enterprise and workplace levels. In other Nordic countries, employers have not made a similar break with the collective bargaining model, but collective agreements have become more flexible than in Finland.<sup>128</sup>

The above-mentioned ideas and practices would no doubt have advanced in Finland and entered the programmes of established parties without the existence of the Young Finns, as has happened in other Nordic countries. In a country with weak liberal traditions, however, the provocation from outside of the political establishment acted as a useful catalyst and promoted the visibility and viability of neoliberal ideas more than individual liberals would have been able to achieve within existing parties. The Young Finns' overall contribution to the public debate and atmosphere of the 1990s is in this sense more relevant than the impossible task of measuring their concrete influence on other parties and policy reforms.

## Conclusion

The Young Finns party was a notable phenomenon in post-Cold War Finland with its open liberalism, individualism and radical reform proposals. Finland was the only Nordic country where a completely new party emerged to promote economic and cultural liberalism. This event was contingent on the proactivity of a handful of individual liberals, most notably the party leader Risto E.J. Penttilä, who were frustrated with the decline of Finland's traditional liberal party and the conservatism of the major liberal-conservative NCP. The fall of communism and the Soviet Union encouraged young liberals to advocate a thorough liberalisation of society along with a new foreign policy orientation towards the West. In doing this, they crafted a distinctive Finnish variation of transnational neoliberalism.

<sup>124</sup> Paul Lillrank, Marko Hamilo and Elina Lepomäki, *Perustili* (Helsinki: Libera, 2013), [https://www.libera.fi/wp-content/uploads/2013/12/Perustili\\_final1.pdf](https://www.libera.fi/wp-content/uploads/2013/12/Perustili_final1.pdf) (last visited 19 Feb. 2022); Kokoomusnuoret, *Tavoiteohjelma 2021–2022* (Helsinki: Kokoomusnuoret, 2021), <https://www.kokoomusnuoret.fi/vaikuttaminen/tavoiteohjelma/> (last visited 19 Feb. 2022).

<sup>125</sup> <https://perustilिसimulaatio.fi/> (last visited 19 Feb. 2022).

<sup>126</sup> Results of Finland's basic income experiment, [https://www.kela.fi/web/en/news-archive/-/asset\\_publisher/IN08GY2nIrZo/content/results-of-the-basic-income-experiment-small-employment-effects-better-perceived-economic-security-and-mental-wellbeing](https://www.kela.fi/web/en/news-archive/-/asset_publisher/IN08GY2nIrZo/content/results-of-the-basic-income-experiment-small-employment-effects-better-perceived-economic-security-and-mental-wellbeing) (last visited 19 Feb. 2022).

<sup>127</sup> Teemu Muhonen, 'Sosiaaliturvaa uudistavassa komiteassa syntyi kiista siitä, voiko Suomeen tulla vastikkeetonta perustuloa', *Helsingin Sanomat* 7 Jun. 2022, <https://www.hs.fi/politiikka/art-2000008867196.html> (last visited 8 Jun. 2022).

<sup>128</sup> Kärriylä, 'Työntekijöiden osallistumista vai pakotettua joustavuutta?'

The Young Finns' ideas for tax, social security and labour market reforms formed a rather coherent whole inspired by neoliberal thought. The tasks of the welfare state were thought anew in order to give individuals, their voluntary associations and the market mechanism more space. Lower taxes, guaranteed minimum income, freedom of choice in public services and decentralised bargaining in the labour market were meant to increase individual freedom. Public investments in healthcare, education and R&D would support individuals and allow them to make full use of their potential. Along with stimulated private initiative, abolishing earnings-related benefits and subsidies to private business and agriculture would help finance the new focus areas of the welfare state with significantly lighter taxation.

Many of the Young Finns' ideas, such as negative income tax, service vouchers and their view of earnings-related benefits, were identical to ones proposed by neoliberal thinkers like Hayek and Friedman. They also admired neoliberal reforms made in Anglo-Saxon countries – New Zealand in particular. This makes it reasonable to view the party as a manifestation of transnational neoliberalism and a liberal *zeitgeist* in Finland even though its key members did not eagerly accept the label 'neoliberal'. As always, this manifestation was fused with features of local institutions and political culture, especially the importance of the welfare state.<sup>129</sup> In the grand spectrum of neoliberalism, the Young Finns certainly represented a softer approach than Thatcher or Reagan, whom they also criticised. The party nevertheless fits scholarly definitions of neoliberalism: it presented a new and positive vision of liberalism and believed that a good society was based on the freedom of markets and individuals. Instead of a minimal state, it required a state whose core tasks were defined carefully to support these values and to secure a minimum subsistence and equality of opportunity for everyone.

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<sup>129</sup> See Ban, *Ruling Ideas*.