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## Explaining Finnish Economic and Social Success – And Happiness

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*Published in:*  
Studia Europejskie – Studies in European Affairs

*DOI:*  
[10.33067/SE.4.2022.7](https://doi.org/10.33067/SE.4.2022.7)

Published: 01/01/2022

*Document Version*  
Final published version

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*Please cite the original version:*  
Andersson, J.-O. (2022). Explaining Finnish Economic and Social Success – And Happiness. *Studia Europejskie – Studies in European Affairs*, 26(4), 177-198. <https://doi.org/10.33067/SE.4.2022.7>

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*Jan Otto Andersson\**

## **Explaining Finnish Economic and Social Success – And Happiness**

### **Abstract**

This article explores the reasons behind the high economic and social rankings for Finland. It also reflects on why Finland is considered the “happiest” country in the world (according to a World Happiness Report). Using empirical data from two studies – an article comparing high-and-low-tax countries, and the aforementioned recent World Happiness Report – it compares Finland with its Nordic neighbours and other Western, especially Anglo-American, countries. The essay outlines a so-called “Finnish model” and looks for the roots of this model. Comparing measures in several dimensions – effort, culture, institutions, and economic and social outcomes – the essay tries to find characteristics that are particular for Finland. Education, innovation, and economic security, as well as trust, gender equality, resilient conflict solutions, and geo-historical luck, are crucial to Finland’s success. Three notable Germans – Luther, Hegel, and Marx – have influenced Finnish culture and society in different ways. Is Finland the country that comes closest to the ideal – “From each according to his ability, to each according to his needs” (Marx, 1875).

**Keywords:** Finland, International Rankings, Competitiveness, Happiness, Geo-historical Impacts

### **Introduction**

What are the reasons behind Finland’s high rankings in several international comparisons? Why has Finland succeeded economically and socially, and why is the country considered the “happiest” in the world?

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We use empirical data from an article by two Canadians, N. Brooks and T. Hwong, comparing high-and-low-tax countries, and from a recent World Happiness Report 2022, to explore these questions. Using the results, a so-called “Finnish model” is outlined, and the historical and cultural features that have contributed to the present standing are indicated.

In 2000, the Global Competitiveness Report, published by the World Economic Forum and Harvard University, ranked Finland number one in global competitiveness, ahead of the United States, Germany, the Netherlands, and Switzerland. From 2003 onwards, Finland was often the best in the Programme for International Student Assessment (hereafter, PISA) exams for 15-year-olds, comprising reading, mathematics, and science. In 2009, the Legatum Prosperity Index, “the world’s only global assessment of wealth and well-being”, placed Finland on top. The next year, Newsweek, seeking to find out “which country would provide you the very BEST OPPORTUNITY to live a healthy, safe, reasonably prosperous, and upwardly mobile life,” awarded Finland the title of “The Best Country in the World”. For the fifth year in a row, Finland, according to the World Happiness Report 2022, had the highest “evaluation of life,” and thus was judged to be the “happiest” country in the world.

These high rankings have not only bewildered foreigners, but also – and especially – Finns themselves. The Canadian journal of opinion *Inroads* asked for a piece on why Finland had managed to succeed both economically and socially. The article *Finland. A Remote and Cold Country’s Success Story* was published in 2009.<sup>1</sup> It stressed geo-historical, cultural, and institutional factors and drew on the rich data published in a Canadian study comparing high-and-low-tax countries. When Finland once more was ranked as the “happiest” country in the world, *Inroads* ordered an article explaining the reasons for this prominent position. The article *Why is Finland the Happiest Country in the World?* appeared in an online journal in its summer/autumn issue of 2022.

These earlier pieces are deployed to give an overview of Finnish society, and to suggest the reasons why it has been so thriving and lucky. Most of the text is copied and only slightly revised from the two earlier studies.

## **From the Glorious 1980s to the “Great Slump” and the Nokia Saga**

“It is a lottery prize to be born in Finland.” This saying was coined already in the 1970s, but it was generally accepted during the 1980s when

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<sup>1</sup> Already in 2008, the journal *Research on Finnish Society* published the article, titled *Finland – Twelve Points!*

Finland was experiencing stable economic growth in a world troubled elsewhere by inflation, unemployment, exchange-rate volatility, and chronic public deficits. After the revaluation of the markka in 1989, statistics showed that in terms of GDP per capita (uncorrected for differences in the domestic price levels), Finland was among the top nations of the world; a sense of euphoria soon spread on the economics pages of our newspapers and journals. Finland had become the “Japan of the North.”

Then befell the *suuri lama*, or the “great slump” of the early 1990s. Finland became the first OECD country to experience such a dramatic economic crash since the end of the Second World War. The most visible causes were a banking crisis in the wake of a deregulation of the credit market, and the collapse of trade with the former Soviet Union. The aforementioned euphoria turned into an almost tangible sense of crisis. Not until a glorious victory over Sweden in the ice hockey world championships of 1995 did times become more cheerful. Also, the remarkable success of Nokia was highly encouraging. A few years earlier, this archetypical national conglomerate had been on the brink of bankruptcy, but now it was a world leader in a rapidly expanding niche.

By the end of the 1990s, Finland had again become a success story.

### **Admirers of the Finnish Model**

At the beginning of this century, texts describing Finland as a model country began to appear more often than before. Admirers came from various parts of the world and represented a variety of ideological leanings.

Back in 2005, Richard Lewis wrote a book entitled *Finland, Cultural Lone Wolf*, asking why Finland was number one in global competitiveness and mobile phones; the least corrupt country in the world; the world leader in managing water resources; and why are Finns regarded as the ideal peacekeepers<sup>2</sup> (Lewis, 2005). The renowned Spanish sociologist Manuel Castells and his Finnish co-author Pekka Himanen published a book in 2003 called *The Information Society and the Welfare State: The Finnish Model*. The story they told was of a country that had been on the frontier of an informational revolution, but which managed to maintain an egalitarian welfare society.

Boris Kagarlitsky, director of the Institute of Globalization Studies in Moscow, and a Marxist dissident in Soviet times, described Finland in his

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<sup>2</sup> According to the book, Lewis “lectures and consults world-wide with clients that include Mercedes-Benz, Nokia, Rolls Royce, Volvo, Deutsche Bank, and Unilever”.

book *The Revolt of the Middle Class* (2006) as “the northern exception”.<sup>3</sup> According to Kagarlitsky, the so-called “Californian model” builds the network as a gigantic supermarket, while the Finnish model builds it as a vast library. In the former, everything is about the purchase of goods, whereas in the latter, it is about access to knowledge, information, and socially necessary services (Kagarlitsky, 2006, pp. 294–295).

Even the Swedes paid attention to Finnish achievements. During an election campaign in 2006, the bourgeois parties – which won a historic victory over the social democrats – consistently praised the Finnish way of handling things; the authority of Finnish teachers, the tax-subsidy for hiring household services, Finnish membership in the European Economic and Monetary Union, and the building of a new nuclear plant. There were also Fennophiles on the other side of the Atlantic. Canadians Neil Brooks and Thaddeus Hwong compared the high-tax Nordic and the low-tax Anglo-American countries. They singled out the United States and “(...) another country Canada might wish to emulate – Finland”, and they found that, “This pattern, with the United States ranking about the lowest among industrialised countries and Finland near the top, is evident on most of the remaining social indicators we examine – relating to social goals such as personal security, community and social solidarity, self-realisation, democratic rights, and environmental governance” (Brooks, Hwong, 2006, p. 10).

### **Effort, Culture, Institutions, and Performance**

The study by Brooks and Hwong contained ninety economic and social indicators for twenty countries. They arranged the countries into four groups, with Denmark, Finland, Norway, and Sweden as the “social democratic” Nordic group, Australia, Canada, Ireland, New Zealand, United Kingdom, and the United States were classified as Anglo-American, “liberal” welfare states, Austria, Belgium, France, Germany, and the Netherlands constituted the “corporatist” continental European regimes, and Greece, Italy, Portugal, and Spain represented the “Mediterranean welfare states,” in which pensions were generous but other state support systems were less prominent, giving family and church a greater role.

These indicators were used to identify in which sense Finland was particular. By rearranging the data into four categories labelled; 1) effort,

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<sup>3</sup> The book reminds one of the early Russian Fennophiles such as Peter Kropotkin, the noble anarchist who wrote: *Finland: A Rising Nationality* (1884), and Grigory Petrov, whose *Finlandija, strana belykh lililij* (1907) was to be used as a schoolbook in Kemalist Turkey.

2) culture and institutions, 3) economic performance, and 4) social performance, I tried to find in which dimensions Finland was exceptional, and to capture some of the characteristics of what could be seen as a Finnish model.

In a Nordic comparison, the distinctive aspects of the Finnish model were the central status of export-competitiveness and the peculiar constellation of interest-mediation. This was also one of the findings of a project comparing the economic and social-policy models of the Nordic countries (Mjøset, 1987; Andersson et al., 1993). These characteristics still held true, but instead of high investments and timely devaluations, the emphasis had shifted to the development of a national system of innovation involving all sectors of society. The effort-indicators therefore comprehend education, research & development, and creativity. Two indicators chosen to reflect the peculiar interest-mediation were the economic security index compiled by the International Labor Organization, and the degree of unionisation. These effort-indicators are shown in Table 1.

Culture and institutions – factors that influence a country’s performance – are reflected in some of the indicators collected in Table 2. How much can you trust people? How much confidence do you have in political and judicial institutions? To what degree are women emancipated and empowered? The level of taxation and fiscal responsibility are also important aspects of the spirit of a nation. In our earlier studies of the Nordic models, we found that “[t]he Finnish welfare state has adopted many Nordic characteristics, but social policy has been more subordinated to ‘economic necessities’ than in other Nordic countries” (Andersson et al., 1993, p. 9).

The results of the efforts, and of the cultural and institutional settings, are summarised in Tables 3 and 4. Table 3 lists typical economic performance indicators, such as growth, productivity, inflation, trade, jobs, and competitiveness. Table 4 contains indicators related to well-being, poverty, income-distribution, health, long-term unemployment, violence, and self-realisation. Economic and social-performance indicators were used to assess the results apparently due to efforts made and to cultural and institutional settings.

There are, however, some troublesome aspects related to the figures in the tables. In general, the indicators are not averages over a long time-period, but picked from one or the other of the years at the beginning of the 21st century. Some of the variables could be considered as efforts instead of performances or institutions and vice versa, but to make the presentation clear, all indicators belonging to the same dimension are presented together. Finland is compared to its own group – the Nordics

– and to the three other groups. Often, the Nordic countries – including Finland – differ from the rest, but Finland is by no means exceptional in the Nordic context. Sometimes it would be a better fit in another group – often continental European. A bold figure marks those indicators where Finland is above or below the average of all four groups. This does not mean that Finland necessarily is number one, but that it is exceptional even by a Nordic comparison. The averages are the ones calculated by Brooks and Hwong, which means that Finland is included in the Nordic averages.

### **Education, Innovation, and Economic Security**

Education and innovation were the most clearly stated effort-dimensions. The belief in the importance of education, research, and innovation as means to good economic and social performance has always been strong in Finland. The educational results are better than what one would expect from looking at the input-indicators. Finland's expenditures on education were only on the level of the average of the whole sample, and clearly lower than in the other Nordic countries. Finnish children spent fewer hours at school than do pupils in other OECD countries. Despite this, they scored high in the PISA studies in reading, science, and maths. Finnish schools also were relatively effective in reducing the differences that arise from the status of the parents.

Regarding research and innovation, the strong Finnish input effort was clearly noticeable. It had the highest proportion of researchers, and the second highest percentage of GDP directed towards R&D. This significant input corresponded to high values for different output indicators, including, innovation, creativity, patents, and royalties.

The Finnish institutional set-up for innovative activities is rather unique, with a distinct division of labour between state-funded institutions. The Academy of Finland supports academic research. The Finnish Funding Agency for Technology and Innovation, Tekes, was established to promote applied research explicitly directed towards innovations. Today, it is now called Business Finland, and is also responsible for supporting the internationalisation of the Finnish economy and firms. The Technical Research Centre of Finland, VTT, engages in the development of new technologies in cooperation with companies and the public sector. The Finnish Innovation Fund, SITRA, acts as a public venture company, financing some rather differing, innovative projects. This systematic effort to develop into a high-tech economy and society is certainly one reason Finland stands out when it comes to different measures of innovative

**Table 1. Effort Indicators Related to the “Finnish model”**

<b>Dimension</b>	<b>Indicator</b>	<b>Finl</b>	<b>Nord</b>	<b>Angl</b>	<b>Cont</b>	<b>Medi</b>
<b>Education</b>	Total public and private expenditures of GDP	5.8	6.4	5.9	5.7	5.0
	Public expenditures on education	5.7	6.2	4.8	5.2	4.7
	Expenditures on pre-primary education (for children at least 3 years old)	0.4	0.7	0.3	0.5	0.4
	Completed upper secondary education (among people aged 25–64)	75.9	81.5	73.0	71.1	40.2
	Completed university or college education	33.0	32.3	33.0	23.0	16.0
	Completed university education	16.4	22.1	20.6	14.1	12.3
	PISA 2003 score Reading	<b>543</b>	512	517	500	477
	PISA 2003 score Reading	<b>548</b>	503	512	508	481
	PISA 2003 score Maths	<b>544</b>	516	513	517	466
	Difference of PISA maths scores attributed to status of parents	<b>61</b>	70	74	92	75
<b>Creativity</b>	Innovation capacity index	<b>0.98</b>	0.95	0.89	0.87	0.76
	Innovative capacity (Gans & Stern)	<b>173</b>	137	84	77	15
	R&D % of GDP	3.4	3.4	1.7	2.2	0.9
	R&D researchers per 10 000	<b>17.7</b>	11.6	7.3	6.8	3.9
	Network Readiness Index	<b>1.72</b>	1.61	1.43	1.15	0.32
	Broadband subscribers per 100	15.0	15.8	9.5	12.8	6.3
	Global creativity index	<b>0.68</b>	0.67	0.56	0.57	n.a.
<b>Investment</b>	Net national saving of GDP	8.4	11.6	5.8	7.4	5.2
	Change in gross fixed capital	4.8	5.6	8.2	2.0	3.3
	Inward FDI % of GDP	2.5	0.9	3.7	8.3	0.2
	Inward FDI performance	1.8	0.8	2.3	4.7	1.0
<b>Social mediation</b>	Economic security index	<b>0.95</b>	0.94	0.70	0.82	0.74
	Union density	<b>76.2</b>	71.5	23.9	30.0	24.7

Source: Brooks, Hwong, 2006.

capacity. The Nokia saga would be incomplete without reference to the Finnish system of innovation.

As for savings and investments, the Finnish effort no longer differs manifestly from that of other countries. This contrasts with the years before 1990, when Finnish investments in fixed capital were exceptionally high



and were pushed by an ambitious developmental state that made room for an elevated level of nationally-funded projects. Foreign direct investment continues to play a relatively small part in Finland's economy, and there have been several setbacks for Finnish companies in their endeavours to establish overseas production in North America, Germany, and Russia.

The high score on the Economic Security Index provided by the ILO has been particularly important for one's understanding of the Finnish effort. This indicator could also be referred to the cultural and institutional background variables, but since there had been strong forces promoting income policies and innovative cooperation at the company level, it was put on the effort list. According to an ILO study of more than 100 countries on the socio-economic security of workers, Finland was ranked second after Sweden, but ahead of Norway, Denmark, and the Netherlands. Finland was on top in two dimensions, "the possibility of the employees to influence their work" and "protection against illegal firings". It was second in "the ability to develop working skills", and third in "the possibility to make one's voice heard e.g., through the trade union" (Helsingin Sanomat, 2.9.2004).

This ranking explains why Finnish industry, despite strong trade unions, has been able to rapidly introduce new technologies. Through systematic cooperation between the companies and the unions, with one accepting a rapid introduction of innovative technology, and the other giving some guarantees that the workers would be involved and re-educated, the resistance to change has been smaller than in, for instance, continental corporatist nations. In most international studies on competitiveness, strong trade unions are regarded as a drawback for Finland, but this is in error. On the national and firm level, strong union participation in economic decisions can improve competitiveness. In Finland's case, moderate national income policies had kept relative unit-labour costs in check until the employers' union refused to continue to accept those policies. At the company level, openness to innovation has been strong.

### **Trust, Gender, and Fiscal Caution**

Social trust, gender relations, and fiscal policy were referred to the cultural and institutional infrastructure category. Trust in the public sector and certain forms of solidarity are almost inbuilt in Scandinavian culture. The link between the state and civil society has been strong since the start of the national project in the 19th century. We return to this when looking for the reasons for Finnish "happiness".

**Table 2. Cultural and Institutional Indicators**

<b>Dimension</b>	<b>Indicator</b>	<b>Finl</b>	<b>Nord</b>	<b>Angl</b>	<b>Cont</b>	<b>Medi</b>
<b>Social solidarity</b>	Agreeing that people can be trusted	57.4	63.9	37.9	36.3	25.6
	Corruption perceptions index	<b>89.9</b>	88.0	86.7	85.8	78.2
<b>Confidence</b>	Having frequent political discussions with friends	<b>6.61</b>	18.2	13.3	17.3	15.2
	in Parliament	42.3	52.7	32.1	42.2	39.6
	in major companies	42.9	51.5	51.0	45.0	42.2
	in the Justice-system	66.7	68.9	45.8	51.2	40.0
<b>Gender</b>	Gender-Gap Index	5.19	5.35	4.65	4.40	3.81
	Gender empowerment	0.83	0.87	0.77	0.81	0.65
	Female labour-force participation	72.9	75.0	68.6	64.9	58.0
	Female doctors of all doctors	<b>53.2</b>	42.5	31.9	36.6	40.5
	Women in parliament	37.5	39.5	21.4	29.5	18.7
	Women in government	<b>47.1</b>	44.3	21.8	31.3	20.1
	Agreeing that when jobs are scarce, men should have more right to a job	9.0	8.0	17.0	22.9	22.8
<b>Fiscal policy</b>	Taxes of GDP	44.2	46.9	32.0	40.6	36.3
	Total government revenue	52.5	56.9	38.0	49.7	46.9
	Surplus or deficit to GDP	1.9	4.1	0.1	-2.1	-3.5

Source: Brooks, Hwong, 2006.

Gender equality is less of an issue in Finland than in the other Nordic countries; it is mostly taken for granted. Prudent fiscal policies have been a characteristic of the Finnish system. In comparison to the other Nordic countries, Finnish government finances have been cameralistic rather than Keynesian. In good times, social benefits have been developed based on corporatist interest mediation, and, in recessions, reductions in social expenses have been agreed to as economic necessities. This, however, has changed since the 2009 financial crisis, the coronavirus crisis, and the war in Ukraine.

The indicators confirm that social trust, gender equality, and stern fiscal policies were typical for Finland, although not exceptional when compared to the Scandinavians.

When looking at the set of indicators, the indicator tagged as “having frequent political discussions with friends” sets Finland apart. It differed completely from that of other Nordic countries and was lower than for any other country in the set. How can this be explained? Did Finns discuss little in general? Had consensual policies permeated society so much that there is little cause for political discussions? Are the Finns so satisfied with how things are going that they do not bother with politics?

## **Economic and Social Performance**

Growth and competitiveness have been Finland's central economic goals for a long time. As can be seen from the table below, Finland continued to be successful on both accounts. Its multi-factor productivity growth was impressive, surpassed only by that of Ireland. Thanks to cautious national income policies, changes in unit labour-costs had been moderate, and the surplus on the current account substantial. In the World Economic Forum rankings of competitiveness, Finland acquired the top positions for many years. It is fascinating to consider that when the US was set as the standard other countries should emulate, Finland ranked third after Australia and Canada. The Finnish effort had clearly been successful on this score. The only dent in the shield was the high rate of unemployment. Despite more than a decade of impressive economic growth, the mass unemployment of the 1990s receded agonisingly slowly.

**Table 3. Economic Performance Indicators**

<b>Dimension</b>	<b>Indicator</b>	<b>Finl</b>	<b>Nord</b>	<b>Angl</b>	<b>Cont</b>	<b>Medi</b>
<b>GDP</b>	GDP per capita USD PPP	30600	32825	32083	30360	23550
	GDP per cap. growth-rate 1995–2004	3.7	2.8	4.1	2.1	2.8
<b>Productivity</b>	GDP per hour worked USD	39.2	44.1	38.2	44.7	31.3
	Growth 1995–2004 in GDP per hour worked	2.3	2.1	2.5	1.5	1.5
	Multi-factor productivity growth 1995–2002	2.2	1.2	1.7	0.8	0.8
<b>Labour costs</b>	Change in unit labour cost	1.0	1.0	2.1	0.0	4.3
<b>Inflation</b>	Consumer prices	0.4	0.8	2.8	2.1	2.7
<b>Debt</b>	Government debt	52.5	54.8	42.8	74.5	88.5
<b>Trade</b>	Current account	5.1	7.4	-3.2	3.3	-5.1
<b>Jobs</b>	Employment growth	1.5	0.9	2.5	0.2	1.8
	Unemployment	8.5	6.2	5.0	7.9	8.7
	Labour-force participation	74.3	77.8	75.4	71.5	68.3
<b>Competitive-ness</b>	Growth competitiveness	5.76	5.66	5.35	5.41	4.54
	Scoreboard (USA = 100)	82.6	79.4	82.7	70.2	52.0

Source: Brooks, Hwong, 2006.

Well-being, equity, and health are Finland's most prominent social goals, but its social performance is mixed. It trailed behind both its Scandinavian siblings and several other countries as to public social and health expenditures. Homicides and suicides were highest in Finland, and male life expectancy was still relatively low. Few were very happy. On the other hand, Finland scored highly on several indicators – income

inequality between the richest and the poorest was the smallest of the sample; infant mortality and low birth-weights were the least frequent; the sense-of-freedom and life-satisfaction rankings were remarkably good; the use of cannabis was infrequent, but, although not included in this set of indicators, the misuse of alcohol was notorious. However, in relation to the money spent on social problems and health, Finland's performance is astonishingly good.

**Table 4. Social Performance Indicators**

<b>Dimension</b>	<b>Indicator</b>	<b>Finl</b>	<b>Nord</b>	<b>Angl</b>	<b>Cont</b>	<b>Medi</b>
<b>Well-being</b>	Human development index	0.947	0.952	0.948	0.942	0.926
	Public social expenditures of GDP	24.8	26.9	17.4	25.7	22.4
<b>Poverty</b>	Relative poverty	6.4	5.6	12.6	8.0	13.4
	Child poverty rate	3.4	3.3	15.9	10.6	14.6
	Child poverty in single-parent households	10.5	9.2	45.2	29.6	25.7
	Poverty rate of the elderly	10.4	9.2	13.5	7.5	22.9
<b>Income-distribution</b>	Net old-age pension replacement	78.8	66.5	47.4	76.2	89.2
	Relative income of disabled persons	83.0	86.0	67.0	85.8	68.9
	Gini coefficient	26.1	24.7	32.1	26.3	34.9
	Incomes of the richest 10% to the poorest 10%	5.6	6.5	12.4	8.1	11.4
	Ratio of incomes at the 90th percentile to those at the 10th	2.9	2.9	4.6	3.3	4.7
<b>Health</b>	Percentage of GDP spent on health care	7.40	8.98	9.55	9.64	8.90
	Public expenditures on health	5.66	7.40	6.36	6.85	5.89
	Infant mortality per 1000 live births	3.1	3.5	5.5	4.3	4.3
	Low birth weight of live births	4.1	4.8	6.5	6.5	7.3
	Male life expectancy	75.1	76.2	76.2	75.6	75.9
	Female life expectancy	81.8	81.4	81.1	81.6	82.0
<b>Unemployment</b>	Long-term unemployed	24.9	19.8	17.5	42.7	46.8
<b>Violence</b>	Homicides per 100 000	2.5	1.4	2.2	0.9	1.1
	Suicides per 100 000	21.0	15.2	11.1	16.2	6.1
<b>Self-realisation</b>	Sense of freedom	86.7	82.7	84.4	75.4	73.4
	Index of Economic Freedom	1.85	2.0	1.8	2.1	2.5
	Annual hours worked	1737	1550	1752	1478	1809
	Percent of population using cannabis	2.9	3.8	11.6	6.7	5.9
	Very happy	24.7	34.1	39.4	35.0	18.6
	Life satisfaction	89.9	88.0	86.7	85.8	78.2

Source: Brooks, Hwong, 2006.

## **Geo-historical Luck and Inter-cultural Coping**

So how can we account for the success of a remote, cold country that, in its national anthem, actually praises itself for being poor and remaining so? We have already encountered three different explanations: culture, gender, and the role of the state. To these, a fourth can be added; geographic-historical position and how the Finns have managed it. But firstly, a brief return to the first three, and then a take on the fourth. According to the previously-mentioned Richard Lewis, who is an expert on cultural differences and conflicts, the Finnish culture is unique. These remarkable people speak a language unique in its origins and have kept their cultural identity intact despite the influences of powerful neighbours in the forms of Sweden and Russia. Pursuing a so-called “Lone Wolf” policy, Finland raised itself from a struggling, war-battered state in 1945, to one of the most developed countries in the world (Lewis, 2005, cover).

Lewis makes a schematic comparison of Finnish and Swedish communication-patterns. He stresses that Finns use minimal speech, increase succinctness as and when needed, and strive for clarity. Swedes, on the other hand, set the scene in a semi-formal and proper way, include plenty of context, and discuss until they reach a consensus. They then stick to this consensus, becoming immediately reluctant to accept any resistance to it and believing that the Swedish way is the best (Lewis, 1999). Such observations have often been made in studies of Finnish and Swedish leadership cultures. However, stressing the differences between the two countries does not explain why both are successful, or why there are plenty of successful Swedish-Finnish joint companies. It would be more appropriate to stress the similarities between Finnish and Scandinavian values in general. The long co-evolution with Sweden and the maintenance of the Nordic traditions (such as Lutheranism) even while being part of the Russian empire, were crucial for the development of Finnish culture and institutions. The role of the Swedish language is still significant. The co-existence of two linguistic groups and the large proportion of bilingual persons have been quite fruitful in the Finnish case. Solutions to linguistic conflicts have been unique and relatively successful.

Another feature that has often been cited is the strong position of women. Back in 2006, Finland celebrated the 100-year jubilee of the full political rights of Finnish women (and men), and although the women of New Zealand were the first to get the right to vote, it should be remembered that it took several decades before they got the right to stand as candidates. In *The Wealth and Poverty of Nations. Why Some Are so Rich and Some so Poor*, the American economic historian David S. Landes underlines this factor

when he explains why certain cultures have not been able to develop. In general, the best clue to a nation's growth and development potential is the role and status of women, to wit; the economic implications of gender discrimination are most serious. To deny women is to deprive a country of labour and talent, but even worse – it is to undermine the drive of boys and men to attain achievement (Landes, 1998, pp. 412–413).

There are several studies of early female emancipation in Finland. Already by 1905–1907, almost a third of university students were women and today Finnish women are the most educated in Europe (Kalland, 2003). According to the Human Development Report 2002, they also – together with Danish women – have the highest ratio of incomes in relation to men. Interestingly enough, Richard Lewis (2005) stresses the cultural differences between men and women in Finland. According to him, they constitute two separate nations. This observation is fascinating since it resembles the most popular Finnish cartoon couple, a responsible, enlightened, ideal citizen by the name of Viivi, and a frivolous and inventive male pig called Wagner. When women work full time and take on social responsibilities, men are allowed to be somewhat cranky, creative, and venturesome. This fact could explain the high rates of male suicide, violence, and irresponsible drinking on the one hand, and the achievements in innovative activities and sports on the other.

In their book on the Finnish informational model, Castells and Himanen (2003) also stress culture and national identity, but to them the role of the state has played a crucial role in forming its culture and national identity. The public sector has provided free education at all levels. And the role of the state in the innovation-system has been, as noted above, crucial. The system of progressive taxes and universal social security redistributes incomes and mitigates poverty. Day-care and public social and health services have been relatively efficient and have thus enabled women not only to work full-time, but also to find jobs in the public sector.

The Finnish state has been archetypically developmental, and the relationship between the state and civil society has been close and built on mutual trust. This is probably the result of Finland's location between the two remarkably different historical powers of Sweden and Russia. A developmental state in close cooperation with civil society was a necessary condition for creating a Finnish nation sandwiched between them.

This leads us to the fourth factor behind the success story of Finland; its geographic, historical position. The close cultural links with Sweden have facilitated the Finnish emulation of Swedish technological and social

advances. Before 1917, Finland stood in a special relationship with Russia, a fact that aided the export of processed goods to the Empire (especially the capital of St Petersburg). A similar relation arose after WWII in that Finland was then the only “Western” country that traded extensively with the Soviet Union. It was able to provide its eastern neighbour with a large range of goods, some of which were technically advanced.

The peasantry managed to avoid serfdom both during the Swedish era and after 1809, when Finland became a grand duchy under the Tsar. According to the Swedish constitution, the peasantry formed a so-called “fourth estate” alongside the nobility, the clergy, and the bourgeoisie. The constitution was adapted to the new situation when Finland was annexed to Russia. Thanks to the dominant Lutheran influence and to a nationalist movement that relied on education as a major tool, the peasantry was largely literate. And peasant ownership of the forests was shielded by the state. In the north-eastern parts of the country, with few peasants but with large, remote forest areas, the state controlled the resource.

Finland’s economy had traditionally been based on wood, until electronic products, chemical-based products, and metals and machinery exports, from a percentage perspective, took the lead. An economy based on the extraction and exports of raw materials, however, runs several risks. The source may eventually be depleted, or the price of the raw material may collapse due to changes in technology or consumption patterns. The stream of income from exploiting a natural resource may also crowd out the development of other productive sectors. Politics in the country may focus on the dictates of the resource sector and the control over the income stream it enables. An extractive economy often misses out on the kind of learning-by-doing that an industrial economy normally experiences. The resource-extraction sector itself is liable to become dependent on know-how and machinery produced in the developed centre. Countries experiencing a combination of these risks may fall into an “extractive economy trap” (Bunker, 2007).

Finland, however, has managed to avoid such traps. Forests are a renewable resource, have a variety of potential uses, and have been an important energy-source; houses, tools, and ships have been made of wood, and wood can be refined into necessities such as tar or paper. Felling trees is best done in wintertime when there are few other employment opportunities for a rural labour force. Forestry has been, therefore, a good complement to farming. Peasant households were able to finance small investments along with the education of their children by cutting down and selling some of their forest. The well-organised, forest-owning peasantry (involved in cooperative manufacturing based on wood), and



the exporters of tar and of sawn products and paper, jointly influenced the regulations concerning forestry. Instead of falling into a resource trap, Finland was thus able to use its forests in ways that promoted cooperation among independent producers and between those producers and the state.

## A Lucky Country

For the fifth year in a row, Finland, according to the World Happiness Report 2022, (Helliwell et al., 2022) has the highest “evaluation of life,” and thus is judged to be the “happiest” country in the world. Finnish media have not said much about the new happiness report. The government-funded *Good News from Finland*, “a service that covers positive and globally interesting news topics related to Finnish businesses and innovations,” noted it in a rather laconic report that began:

*Finland has been named the world’s happiest country for the fifth consecutive year in the 10th edition of the World Happiness Report.*

*The country secured the top spot with a score that was “significantly ahead” of other countries in the top 10: Denmark, Iceland, Switzerland, the Netherlands, Luxembourg, Sweden, Norway, Israel, and New Zealand.*

*The Nordics overall were commended for strong social cohesion, an excellent balance between family and working life, and free education and healthcare.*

*The authors of the report also viewed that the region merits special attention for their generally high levels of personal and institutional trust, and handling of COVID-19.*

The scores for eight countries – four Nordic and four Anglo-American – are shown in Table 5. More remarkable than Finland’s number one position for the fifth year in a row is that its lead over the number two, Denmark, as well as the others, has widened perceptibly.

**Table 5. Happiness Scores. Eight Selected Countries**

<i>Rank</i>	<i>Country</i>	<i>Happiness 2021</i>	<i>Change since 2008</i>
1	Finland	7,821	+0.361
2	Denmark	7.636	-0.111
7	Sweden	7.384	-0.060
8	Norway	7.365	-0.290
13	Ireland	7.041	-0.142
15	Canada	7.025	-0.455
16	United States	6.977	-0.150
17	United Kingdom	6.943	+0.055

Source: World Happiness Report, 2022. Helliwell et al., 2022.



Why “happiness” has risen in Finland while the opposite is the case for most other comparable countries is something of a mystery. After the financial crisis that started in 2008, Finland’s economy recovered more slowly than the economies of most other nations. Finland was hit by the demise in popularity of Nokia’s mobile phones and by the stagnant global demand for both paper and investment goods – Finland’s leading exports. Furthermore, as a member of the euro area, Finland not only was dragged down by the euro crisis, but also could not adjust its exchange rate, whereas its main rival, Sweden, could. The economy reached its pre-crisis level only shortly before the Covid pandemic broke out. So why did “happiness” increase in Finland despite the many economic troubles that started in 2009 and continued for almost a decade? Is it possible to explain why the Finns seem to be so satisfied with their lives?

Each country’s happiness score is based on people’s answers to a single question:

*Please imagine a ladder, with rungs numbered from 0 at the bottom to 10 at the top. The top of the ladder represents the best possible life for you and the bottom of the ladder represents the worst possible life for you. On which rung of the ladder would you say you personally feel you stand at this time?*

The happiness report uses six variables to assess how much they contribute to the total score of each country. Based on these results, we compare Finland to three Nordics – Denmark, Sweden, and Norway – and four majority English-speaking countries – Ireland, Canada, the United States, and the United Kingdom. Comparing the variables, however, offers only partial insights, and therefore some personal thoughts on why the Finns have responded so positively to the question on which the report is based have been added by the author.

### **Explaining the Happiness Score**

The first two variables chosen to assess why the almost 150 countries included in the study get their different scores are available from standard UN organisations:

- *GDP per capita* in purchasing power parity (World Development Indicators);
- *Healthy life expectancy* (WHO Global Health Observatory data repository).

The remaining four variables depend on a set of questions answered by the respondents included in the poll. These are expressed feelings rather than systematically-produced facts:

- *Social support* – “If you were in trouble, do you have relatives or friends you could count on to help you whenever you need them, or not?”;
- *Freedom to make life choices* – “Are you satisfied or dissatisfied with your freedom to choose what you do with your life?”;
- *Generosity* – “Have you donated money to a charity in the past month?”;
- *Corruption perception* – “Is corruption widespread throughout the government or not?”, and “Is corruption widespread within businesses or not?”.

But the six explanatory variables don’t explain everything. Hence there is a seventh category that measures the extent to which life evaluations are higher or lower than those predicted by the six variables. This “prediction error” (which could be positive or negative) is added to the score of a hypothetical country called “Dystopia,” so named because it has values equal to the world’s lowest national averages. The score for Dystopia calculated in this way is 1.83.

**Table 6. Share of Happiness Scores Attributed to Each Explaining Variable**

Country	Dystopia	GDP/cap	Support	HLE	Freedom	Generosity	Corruption
Finland	<b>2.518</b>	1.842	<b>1.258</b>	0.775	<b>0.736</b>	0.109	<b>0.534</b>
Denmark	2.226	1.953	1.243	0.777	0.719	0.188	0.532
Sweden	2.003	1.920	1.204	<b>0.803</b>	0.724	0.218	0.512
Norway	1.925	1,997	1,239	0,786	0,728	0,217	0,474
Ireland	1,743	<b>2,129</b>	1,166	0,779	0,627	0,190	0,408
Canada	1.924	1.886	1.183	0.783	0.659	0.217	0.368
US	2.214	1.982	1.182	0.628	0.574	0.220	0.177
UK	1.967	1.867	1.143	0.750	0.597	<b>0.289</b>	0.329

Source: World Happiness Report, 2022. Helliwell et al., 2022.

As can be seen in Table 6, Finland does not score exceptionally well as regards several of the variables. Its GDP per capita is the lowest of the eight countries. Healthy life expectancy in Finland is lower than in the other Nordics, Ireland, and Canada. Finnish generosity is surprisingly low in comparison to the rest. It is, however, on top in three of the variables: social support, the freedom to make life choices, and corruption perception. And, truly, Finns do care about their relatives and friends and participate actively in voluntary organisations. The educational system and the social services guaranteed by the welfare state do broaden the freedom to make life choices. People do trust the

authorises and one another. If you say you are going to do something, you can be counted on to do it – on time.

But the residual category is the one in which Finland most clearly stands out. This means that much of Finland's superiority remains unexplained. There are a few factors that may help fill this explanatory gap.

One factor is the remarkable size of the “boomer” generation in Finland. The largest population cohorts are those born after World War II. The same goes for many countries, but the Finnish case is exceptional, with 23 per cent of the population aged over 65. In general, as the world report also shows, the 60-plus age group is significantly happier than the average, possibly because of pensioning. As the boomers retire, average happiness increases relatively more in Finland because of its extraordinary age structure.

Another factor is that Finns are used to and better prepared for a variety of crisis situations. The Finnish civil war of 1918, the wars in which Finland was defeated between 1939 and 1944, the accommodation to Soviet pressures during the Cold War, and the extreme depression of the 1990s are different examples. Finland's preparedness laws and reserve stocks were far more superior to Sweden's, and the same could probably be said in relation to other countries. When the pandemic started, Finland was able to react faster and was better equipped than most countries. In times of crisis especially, the people trust the leadership and are prepared to follow any instructions issued by the government and official experts.

Closeness to nature was an important factor during the pandemic. People moved to their summer cottages or engaged in distanced work. Those staying in the cities made frequent family excursions to nearby forest lands. A joke had it that Finns enjoyed the end of the pandemic social distancing guideline of two metres, since now they could maintain a distance of five metres!

It is also possible that the high Finnish happiness rankings are affected by the way grades are given in Finnish schools. These grades range from 4 to 10. A 4, the lowest number, means that you have failed; a 7 is quite satisfactory; and an 8 is rather good. To be accepted into a gymnasium (a seat of further academic learning) – as is half the cohort yearly – you should have an average of at least 7, and an average of 8 will most likely be enough. The Finnish respondents, asked to assess their well-being on a scale of 0 to 10, might be influenced by this grading system; in most other countries, a 6 might be considered satisfactory and a 7 quite good, whereas Finns might think of a 7 as merely satisfactory, and an 8 as acceptable.

### Three Historic Germans

Despite this caveat, the rankings done by the happiness researchers are presumably largely correct. And in that regard, we may highlight the influence of three Germans in particular on Finnish national culture. There are other Germans that could be mentioned, such as Carl Ludvig Engel, the architect who rebuilt the centre of Helsinki, or Fredrik Pacius, the composer of the national anthem. But the ones most influential are no other than Martin Luther, G.W.F. Hegel, and Karl Marx.

Without Luther, the translation of the Bible into Swedish and Finnish, and the urge to teach people how to read at least part of the text, would not have happened so soon. Luther emphasised the positive aspects of life and regarded work as a calling, not a means to enrich oneself. Everyone should, (according to Luther's thinking) contribute as a member of the family and society. Most Finns still stretch and fold their sheets in a way that is practiced by Lutherans.

The philosopher and statesman J.V. Snellman (1806–1881), one of the most important promoters of Finnish nationalism, was an ardent Hegelian, writing his dissertation in defence of the second of the three abovementioned Germans, namely, Hegel. In his most influential treatise, *Läran om staten* (The Theory of the State), he elaborated the process of building a national spirit, culture, and formation (in Swedish *bildning*). Following Hegel, Snellman stressed that freedom for all was only possible through the state. He saw the presence of God in people who went beyond their limits to serve the good of the nation.

In 1863, Snellman was called to a cabinet post in the Senate, in effect as minister of finance and prime minister. He managed to get the Russian Tsar, who ruled as Grand Duke of Finland, to proclaim a language decree that would gradually give Finnish a position equal to that of Swedish. A separate Finnish currency was introduced, and Snellman managed to tie it to silver instead of the Russian rouble. Without Snellman's Hegelian vision and verve, the unity of the nation would not have been strong enough to withstand the threat of the Russification that took off at the end of the century.

The influence of Hegel in 19<sup>th</sup> century Finland differs from that in Denmark and Sweden, where Hegelianism was marginalised. The most influential philosopher in Sweden was Christopher Jacob Boström (1797–1866), who openly dissociated himself from Hegel. All students at Swedish universities started with an obligatory course in philosophy, marked by Boström's "rational idealism". One of the most influential people in Danish history was N.F.S. Grundtvig (1783–1872), a pastor, author,

poet, philosopher, historian, teacher, and politician. His philosophy gave rise to a new form of nationalism in the last half of the 19<sup>th</sup> century. In 1848, he was part of the Danish Constituent Assembly that wrote the first constitution of Denmark. Like Boström, Grundtvig was a critique of Hegel. Comparing the formative influence of Grundtvig, Boström, and Snellman may help us to understand some of the social and spiritual differences between these three “lucky” countries.

The influence of the third-mentioned German, Karl Marx, can be seen in the adoption of Marxism by Finland’s Social Democratic Party in its program of 1903. At the beginning of World War I, party membership was more than 100,000, which made it the largest social democratic party per capita in the world (Blanc, 2022). From the start of the democratically elected *lantdag* (the Finnish parliament before independence), it was the biggest party in the assembly.

In the 1916 election, the social democrats won a majority in the *lantdag*. Oskari Tokoi became the world’s first social democratic prime minister. A Finnish translation of *Das Kapital* was commissioned and paid for by the state. After the February 1917 revolution in Russia, Tokoi’s senate decided to transfer the powers the tsar had exercised as Grand Duke of Finland to the *lantdag*. The head of the Russian Provisional Government, Alexander Kerensky, however, dissolved the parliament and ordered new elections, which the bourgeois parties went on to win.

In the interwar period, the Social Democrats, together with the Agrarian Party, founded by the republican democrat Santeri Alkio, were able to back up those liberal and conservative politicians who were prepared to resist two serious efforts to overturn the republic and democracy. Finland was the only continental country that participated in the war and yet retained its democratic order throughout the ordeal. The development of a welfare state began in the 1930s and accelerated after 1966 with the left in the majority in the parliament. As quoted at the start of this article, Boris Kagarlitsky saw the Finnish model as a vast library. It could be half-seriously asserted that the country that comes closest to Marx’s communist principle – “From each according to his ability, to each according to his needs” – is most likely Finland.

Citing this slogan, the obligatory remark that the Finnish language has no gender should be added. Both “he” and “she” are *hän*; “his” and “hers” are *hänen*. The five parties that make up the present Finnish government, representing all historical shades of the republican, liberal, radical, and green left, are all led by women. Of the three parties in opposition only one, the conservative National Coalition Party, is (still) led by a male.

## What Can be Learnt from the Finnish Example?

If the reasons for the apparent Finnish success are complex and unique, then to try to copy it would be a mistaken venture. However, there are some lessons to be learned from its experience:

- Development is strongly dependent on persistent characteristics such as geography and culture. Each nation must find solutions that fit its specific situation. You can learn from your neighbours, but you should not try to copy them. Even more, you should not try to implement a universalistic blueprint (such as Soviet-type communism, Washington-consensus neoliberalism or even the “Nordic model”);
- The character of the state is crucial. There needs to be a certain persistence that can take the shape of a conscious or unconscious model. In the Finnish case, the emphasis on international competitiveness goes far back in time. Today’s system of innovation is due to state policies;
- Gender relations matter a great deal. The welfare state, properly implanted, is an economic asset since it is a condition for the emancipation of women. The emancipation of women is, again, crucial for national economic development;
- Economic security is a precondition for dynamism “with a human face.” If workers and citizens feel that they have a certain economic security, even if a firm restructures, they are prepared to accept changes associated with new technologies or with international openness. They are also prepared to invest in education;
- To educate the whole population and to educate their educators well is a superior investment. Probably the main reason for Finland’s success in education is that its teachers are more educated than in most other countries;
- Sustainable conflict-solutions yield many advantages. Finland lies on the edge between two cultures and has therefore had more than its fair share of conflicts. There have been, however, some good examples of conflict-solutions, such as: the liberation of the crofters, the treatment of the Swedish and Orthodox minorities, the integration of Communists, and consensual income policies.

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