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Between East and West: The Making of the Finnish Welfare State 1944–1990

In the variety of literature on the welfare state the comparison of different welfare state models has been one central aspect. The increasing historical knowledge on welfare state development has, however, showed that the origin and implementation of welfare state institutions have substantially differed between countries. On the contrary, in economic history the so called convergence hypothesis has been emphasized in recent decades. In addition to economic, structural and institutional differences, we argue here that political and labour market factors had significant effects on the actual development of the welfare state. They created breaks to the development but also incremental and cumulative changes which took effect over a longer time-span, during many decades. Importance of cold war pressures and fears were obvious, because the major break in the welfare state development occurred in Finland in the 1990's when the severe economic recession and the collapse of the Soviet Union changed the political situation fundamentally.

Our paper contributes to the historical and theoretical discussions on the welfare state development. The goal here is to suggest an empirical-based framework to analyze the interaction of economic, political and labour market factors in the development of welfare state institutions. The paper focuses on Finland and the time-period is from 1944 until the 1990's. This transformation period included rapid structural change and economic growth, and extensive welfare state institutions were built. Our analysis moves on three levels. Firstly we examine the stylized facts of Finnish economic, political and labour market development during the cold war period. Secondly we explore the tensions between labour market pressures and social policy institutions and how they entangled with each other's. Finally we will discuss special characteristics of the Finnish Welfare State Model. In our paper we will argue that the effects of political pressures and the cold war to the formation of the welfare state should be analyzed in the context of economic and labour market developments.