Northern Flank by Tore Fredin

Only austerity offered in Finland

The supposedly "strong" Finnish mark may be one of the next catastrophes in the global financial collapse.

European countries have in the recent period come into focus as potential currency catastrophes. Following the Mexican crisis, Italy, Spain, and Sweden have been pointed out as the next most likely candidates. But even seemingly strong currencies, such as the Belgian franc and the Finnish mark, if analyzed from a physical-economic perspective, could not be considered "strong." What we have is rather a crisis of the whole system, as International Monetary Fund Managing Director Michel Camdessus stressed, when he mentioned that 10 countries could follow Mexico.

In this light, the status of the Finnish economy has a broader interest, as was highlighted in parliamentary elections on March 19. The political establishment there has implemented a senseless austerity policy since the depression hit Finland in 1991. During the last four years, the center-conservative coalition government has increased taxes from 36% to 48% for the average industrial wage earner—an increase of 33%. For the white-collar worker, the increase was from 47% to 56%. At the same time, official unemployment rose to 20%, from below 5%. Unemployment has stabilized at this historically high level, and is oscillating between 18 and 20%.

More and more people are losing their unemployment benefits, and they have had to depend on what for years was unthinkable for a Nordic country: the soup kitchen. This category has been labelled the "new poor."

These are the concrete results of a depression-ridden economy, which for three years, between 1991 and 1994, reduced its Gross National Product by 13%, while consumption fell by more than 20% (the private sector 15% and the public sector 5%). Public consumption fell despite the increase in taxes.

The Finnish electorate has, in other words, been put through a rough period since 1991, and more is to come. No party in its election propaganda promised more austerity, but no matter what they backed—left, center, or right—the voter had only one option: more austerity. It is not surprising that voter turnout was just above 70%, the lowest since World War II.

In this election to a new parliament, the voters indicated clearly that they don't buy the senseless austerity. However, no one in Finland has any idea of what else to offer except austerity, to please the so-called international investors. Tellingly enough, the party which won the election, the social democrats, promised the harshest austerity. So, the part of the Finnish electorate which actually went to the polls rejected the center-conservative coalition because of its austerity policy and, as a vote of protest, chose even harsher austerity.

In the recent currency turmoil after the Mexican crisis, the Finnish currency has maintained its value, while the Swedish kroner has fallen against both the German and Finnish mark by almost 20%. The different performance of the Swedish kroner compared to the Finnish mark cannot be explained by differences in the economic situation. In physical-economic terms, the Swedish and the Finnish economies are very similar and have developed in a similar manner over the last years.

Both countries depend heavily on a raw materials-based export industry which, in the wake of last year's devaluations of both currencies, has increased exports. For both economies, the export industry is booming, making good profits and even, to some extent, boosting investment in new capacities and re-hiring people, while the domestic economies of both countries are still in a depression with high unemployment—15% in Sweden and 18-20% in Finland. The depressive state of the domestic economies is partly explained by the austerity policy in both countries, though the Finnish austerity program is much harsher.

The debt situation for both countries is also very similar. The state debt to GNP ratio is slightly higher for Sweden (over 80%) than for Finland (70%), but it is increasing for both.

It all boils down to the fact that the only difference between the Swedish and Finnish economic and political situation is that the Finnish political establishment proved during the last election that they will, at whatever cost, continue the austerity policy. They got their approval from the international speculators during the last phase of international currency turmoil; the Finnish currency is not falling.

The lesson which the Finnish voters will learn, and some of them already have, is that there is no end to the blackmail of monetarist shock therapy. The Finns are not alone in this experience; the people in the Baltic states, along with the Russians and the Poles, have also experienced it. The depression in Finland has been of the same depth as that in the eastern European countries.