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PRESENTATION
In BIEN Congress 2008
in Parallel Session 4c.
“The Debate in Europe”
Final version 7 July, 2008

BASIC INCOME DISCUSSION IN FINLAND

1. Introduction

Since the late 1970s, massive and long-lasting unemployment was the primary problem for social economic policy in the welfare states. In Finland this phenomenon was experienced as a rough time later at the beginning of the 1990s when unemployment jumped almost to half a million (about 15.5%). Governments tried to relieve the consequences of unemployment and poverty by providing social benefits conditionally and, in so far as in their power, to take employment promoting measures. Although unemployment is not massive any more, structural and long-term unemployment still exists. Governments and political leaders have not understood the changes in economy and working life. Although the nature of work has changed, almost all benefits are somehow connected with paid work. Also the concept of work/labour itself has to be redefined. At least the relation between work and basic livelihood needs a new definition. A major problem is that the social security system in the welfare states is very complicated and leads to poverty and other traps. It also lessens work incentives.

However, there is an alternative available which does not just regulate details but means a major reform of the social security system. This system of guaranteed unconditional minimum income is known as a basic income (BI) or as a negative income tax.

The Basic Income European/Earth Networks (BIEN) defines BI as follows:
A basic income is an income unconditionally granted to all on an individual basis, without means test or work requirement (www.basicincome.org).

Other synonymous concepts or models are for example ‘negative income tax’, ‘civic/citizens income’, ‘universal grant’, ‘state bonus’, ‘national/social dividend’. ‘Civic/citizens salary’ and ‘citizens wage’ are also used, and in earlier discussion these have been generally applied to the same issue. But in my opinion, although ‘citizens wage’ is one of the BI models, it also means something else like connection with traditional paid work. Anyway BI should be used as a general concept of this issue.

The basic idea of BI is that the society guarantees the citizen’s basic livelihood in a simple way and in consideration of human values. In practice it mostly means an integration and a reform of the social security and taxation systems.

The core in basic income research is the relation between livelihood, work and working motivation. To examine how the salary/wage affects work incentives would produce relevant information for
this purpose. To reform the social security system, BI calls for a change or a new way of thinking in our society. It is useful to ask how social reforms are argued in Finnish history. Could the state of BI discussion now be compared to important Finnish social reforms like a universal right to vote, child benefit and national pension? The question in my research is: Is BI now possible in Finland in the light of the historical background?

2. Empirical research material

I have collected extensive material about Finnish basic income discussion from magazines, newspapers, pamphlets, discussions on television, in the radio and research reports. There are a few master thesis (pro gradu) papers, one licentiate work and one doctoral work available about basic income in Finland.

Disposition of material:

1) Politicians and bureaucrats
2) Researchers and societal thinkers
3) Journalists and “ordinary” people

On the basis of this material I made an extensive article “Basic income discussion in Finland” published in the summer of 2007. The article was included in a publication which was meant to be part of political discussion about poverty in Finland. The intention was to find ways to get out of poverty by analyzing work, social benefits, payments and taxation as a whole. My purpose was to present how this problem could be solved even partly by means of a basic income. The following summary of my material follows the disposition mentioned above.

3. Previous discussion

The international history of a basic income is long. In Finland the idea of “a basic income” was probably first presented in 1970 by an author, Samuli Paronen. He wrote about “an independent person’s money”, which in his opinion should be granted just “for being a human being”. The terms ‘civic salary’, ‘citizens salary’ or ‘citizens wage’ were introduced in a Finnish discussion in a book called “Finland in the 1980s” written by Osmo Soininvaara and Osmo Lampinen in 1980. This was an initial step of the Green Movement in Finnish politics. Later Osmo Soininvaara became a leading ideologist of the Green Movement and the Green Party in Finland. There were also many researchers like Jan-Otto Andersson, Simo Aho, Markku Ruohonen, Matti Virtanen, Osmo Kuusi and Pekka Korpinen from various scientific fields who wrote about a basic income (BI) or citizens salary. In the 1980s there was no thorough presentation about BI written in Finnish. The researchers and societal thinkers can be regarded as pioneers of BI discussions.

In 1986 the National Board of Social Welfare first published a report on “Basic livelihood” and later another report on “Poverty in households”. In these reports the term ‘income guarantee’ was used meaning something between ‘basic income’ and ‘subsistence subsidy’. This subsistence subsidy is guaranteed for all citizens in Finland, if he/she has no other income, but it is very carefully means tested and controlled. Politicians joined the BI discussion before the parliamentary election in March 1987 but they did not use the term ‘basic income’ or ‘citizens salary’. In this discussion about basic livelihood guarantee/basic security different concepts on BI were used. The right-wing parties spoke about ‘negative income’ and the leftist party (the Communists) about ‘citizens income’. The Greens were already then very strongly in favour of BI but they did not have any systematic presentation about it yet. The Social Democrats were already then doubtful about BI. The election brought a new government into power consisting of right-wing parties and the Social Democrats. The economic boom interrupted the discussion even about problems of poverty and
basic security. In the following election 1991 BI was not brought up in political discussions; basic
security talk still continued.

Young people became gradually interested in BI. In 1988 the social political secretary of the
National Union of University Students in Finland (SYL), Ilpo Lahtinen compiled a book out of
many articles called “Citizens Salary. Who lives must also eat”. Simultaneously two young
politicians, a Green Party member David Pemperton and centrist Olli Rehn, later a member of the
Finnish Parliament and the EU Parliament, and now also a member of the European Commission,
pointed out that “something has to be done because a citizens salary is a good idea”. In January
1989 a Finnish Basic Income Group with members from all important Finnish parties was founded.
Among others there were the Green Osmo Soininvaara, also a member of parliament and a Social
Democrat Pentti Arajärvi, who has later been one of the leading specialists in social political
questions and BI of the Social Democratic Party. This team asked Ilpo Lahtinen to become a
secretary. He made university research (licentiate work) later and published a book in 1992 called
“Basic Income. Citizens Salary”. This was the first thorough presentation and initiative about BI in
Finland but it got very little publicity.

4. Political debate in the 1990s and at the beginning of the 21st century

During the last 15 years the political BI debate has mostly been of interest to the Greens and their
supporters. The Greens’ leader figure, Osmo Soininvaara, has been in many roles in this debate. As
a societal thinker he has published several pamphlets presenting BI during the last 25 years, as a
researcher he together with some others drew up a report called “Outline of a BI model” for the
Ministry of Social Affairs and Health in 1994, and as a Green politician and even as Minister of
Health and Social Services (Minister of “Basic Services”) 2000–2001 he tried to keep BI in the
press. Osmo Soininvaara used material about BI model also in his book “A Survival Doctrine for
the Welfare States”, which was published in 1994 and then rewarded as the “Economics Book of
the Year”.

Starting 1992 we experienced perhaps the biggest economic depression in Finland ever, and Finnish
unemployment jumped almost to half a million (about 15.5 %). Also the Finnish banking sector and
the social security system were in crisis. During the parliamentary election 1995 BI was not in a
very important role; the discussion was more focused on livelihood, incentive traps and poverty
traps caused by our complicated social security system and the economic depression. The new
government, led by the Social Democrats, was a “rainbow government” because it was formed by
the right-wing and left-wing parties and the Greens. Only the Centre Party and some smaller groups
stayed outside the government. The new government founded an “incentive trap” working group in
which also Osmo Soininvaara was a member. The results of this working group were rather poor,
although negative income was also discussed. The final report included an interesting detail; the
working group members were “afraid that the development would lead to a negative income or BI
system if the existing social security system was ruined”. Thus this work did not provide the
government with any new tools, and employment and incentive politics were carried out and the
poorest people became even poorer.

But something needed to be done about our complicated social security system. For this reason
Pentti Arajärvi was in 1996 commissioned by the Ministry of Social Affairs and Health to make an
administrator’s memo “Towards Clearer Livelihood”, which was published in 1997 under a title
“How to clear the Legalisation of Livelihood” (basic livelihood). Arajärvi also wrote an article in
the “Economy and society” magazine 1/1998, in which he estimated the BI systems to be too
expensive. In the same magazine there was an article by Matti Tuomala, Professor of Economics,
on “Incentive and encouraging welfare state”, in which he gave a strong support to the existing insurance and means tested social security system. For this reason this government had no further interest in BI.

In the parliamentary election 1999 the issue of BI was brought up again. The Greens had internal discussions in their party 1997–1998 about a suitable BI model, and Soininvaara wrote a column about “Time of Basic Income?” in the Suomen Kuvailehti magazine March 27, 1998. This Magazine has also later supported BI in its leading articles. In April 1998 the Greens organized a public panel discussion with Centre Party, Leftist League and Young Finnish Party (a new small liberal group of two parliament members). They all supported BI. Two of these parties were in opposition and two were sitting in the government. The main opposition party, the Centre Party, developed a programme called “Work reform” for the election. On the one hand, this was an attempt to weaken the generally binding agreement in the labour market made with the Finnish Trade Unions and to support local labour agreements. On the other hand, it was about BI. Further the social political programme of the Young Finnish Party, led by Risto E.J. Penttilä, was based on BI. In the election campaign the Social Democrats, with a support of the Trade Union, saw “work reform” as a danger to workers’ rights, and the Centre Party lost the election. This work reform was so difficult an issue to the Centre Party that in the following election 2003 their chairman had to swear never to carry out the reform concerned. But the point is that the Social Democrats together with the Centre Party did carry it out afterwards. Finally BI was in a minor role in the election of 1999. The Centre Party got bad image due to their “work reform” programme and the party had to continue in opposition. The Young Finnish Party disappeared from the parliament. This party was labelled as a group supporting extreme market liberation and their programme, based on BI, seemed to be too radical for Finnish voters. In the election campaign the Greens did not keep BI very much in the press, and the party won two seats in the parliament. The “rainbow government”, including now also the Greens, continued in power.

In this government the Green Osmo Soininvaara was Minister of Health and Social Services (Minister of “Basic Services”) 2000–2001. His intention was to advance BI but he was very careful about the term ‘basic income’ or ‘citizens salary’ because in the government particularly the Social Democrats were against it. But all parties in the government agreed that something has to be done about structural unemployment, poverty, complicated social security system and low salary work. Soininvaara’s intention was to show that BI would have been the answer to all these problems or at least a way in the right direction. But Soininvaara had to concentrate on other projects of his Ministry and he did not have time enough for “his BI project”. The main government parties, the Social Democrats and the conservative Coalition Party – in the government and in their social political working group – somehow faded out the whole idea of BI. In the winter of 2002, at the end of Soininvaara’s minister period, the parliament had to decide about a permission for the fifth nuclear power plant. The Greens were very much against it and decided to leave the government because the parliament voted for the nuclear power plant. A BI discussion was very quiet also during the next parliamentary election 2003. The Centre Party won the election and formed a new “red-soil” government with the Social Democrats. The rightist Coalition Party and the Green Party stayed in opposition. Previously this kind of government combination ruled the country in 1987. Instead of BI political questions connected with power played the main role in a political debate.

In the spring of 2001 there was a short but an interesting episode in the BI discussion. According to Björn Wahlroos, Bank Manager and Doctor of Economics, the problem of poverty in Finland could be solved by a simple recipe, which was citizens salary. According to his calculations the citizens salary should be about 850–1000 € a month. His arguments were mainly the same as those presented by Soininvaara and by other BI supporters. He suggested traditional ways to finance the
system, including reductions in expenses in the social security systems by cutting down bureaucracy and by encouraging low salary workers to work spurred by lower taxes. He stated that most national economists would agree with him. But he was a wrong person to propose any kind of BI system because he was one of the richest men in Finland and one of the leading market liberals in the Finnish economic discussion and politics. Trade Unions, Social Democrats, Leftist League and the tiny Communist Party doomed Wahlroos´ proposal. The Social Democratic ministers considered the proposal unrealistic and claimed that Wahlroos did not understand normal citizens’ everyday life. The tiny Communist Party called Wahlroos´ proposal a joke of the 1st of May and the Leftist League regarded it as a plot of extreme capitalists. Obviously the Leftist League, which had proposed some BI models every now and then, kept away from all BI discussion and spoke only about basic security. In the press Wahlroos got much support for his citizens salary/BI proposal. But inside the parties there was hardly any BI discussion on the political agenda in the following years.

5. Researchers and societal thinkers in discussion

Many researchers participated in the societal debate on BI, and many of them have even supported BI during the last 15 years. The essays published in various books and magazines in the 1990s were philosophical and ideological speculations. A few master’s thesis (pro gradu) papers on BI were written in universities. Osmo Soininvaara’s works, books and reports for the Ministry of Social Affairs and Health were important documents. But a few articles and “counter memos” written by Pentti Arajärvi and some others made it difficult to find financial resources for a proper research.

In the 1990s after the publication of Ilpo Lahtinen’s work there was no thorough research until Anita Mattila’s dissertation “Is Basic Income needed? Theoretical Analysis of Finnish Civic Income, Civic Salary and Basic Income Models”, December 2001, at the Kuopio University. Mattila’s work was an important theoretical analysis of a Finnish BI model and BI discussion. She first developed two micro-simulation models for experiments and then carried out experiments in some limited geographical/municipal areas. However, this work got a very little attention among researchers and hardly any publicity. When Mattila stated in her work that further BI research was needed, she mentioned an opinion analysis of the political parties, (that is just what I am doing), and development and use of micro-simulation models.

These simulation models were gradually introduced by the Ministry of Social Affairs and Health to be used for the evaluation of BI models. In 2000 two leading Finnish poverty researchers, Matti Heikkilä and Jouko Karjalanen, edited and published a book “Poverty and Rupture of Welfare State” which included an article “Evaluation of a BI model” by Seppo Salila. He evaluated Soininvaara’s models presented in 1994 using the simulation model developed in the Ministry to simulate combined influences of social security benefits and taxation on the livelihood of individual citizens. In this Soma-model statistical data of the whole population was used to find the population groups of “losers and winners”. Most people, especially very poor, would be winners but average-income employees would lose some. Salila also studied influences of equal-tax in this model. According to his evaluation Soininvaara’s BI model combined with equal-tax would work well and reduce poverty. But it seems the result of this study could not exclude different conclusions and was contradictory. No trade unionist would tolerate a discussion about a BI model which could decrease wageworkers’ income. It seemed as if the BI system did not change the living standard of the Finns very much, which in my opinion was the most important result. However, the interest of politicians and publicity was not awakened.

During the last few years a new simulation model of BI was introduced. The Social Insurance Institution of Finland (Kela) developed a model called JUTTA, which appears to be an upgrade
from a previous model called Soma. In 2004 a researcher, Pertti Honkamäki, made calculations using the JUTTA model. His duty was to estimate a taxation percentage feasible in Finland assuming that the BI was 400 € a month and replaced social benefits up to that sum.

This would have been a partial BI and neutral for public financing. According to the calculation the income tax percentage for those who earned more than 60 000 € a year would be 55 % and for the rest of the citizens 48 %. But if a citizen’s BI was 400 € the percentage would be smaller in lower income classes. In this sense BI is a “negative progressive tax” for lower income classes. In this model reductions in expenses due to decreasing bureaucracy and behaviour of citizens were not taken into account. These issues would be worth a new research in different scientific fields. Any way the Greens used these results in their election programme in the parliamentary election 2007.

In 2005 and 2006 at least two surveys about BI/citizens salary were carried out. In 2006 all political parties ordered a study from TNS Gallup Oy containing questions also about citizens salary. The question presented was: “Should citizens salary be paid to all citizens in our country?” The results were very detailed and sorted out according to different age groups, professional status, areas, parties and so on. According to the final result 29 % of all the citizens said YES, 47 % NO and 25 % could not say anything. In this inquiry also the Greens were split up: 36 % said YES and 44 % NO. But in the parliamentary election of the following year BI was one of the main issues of the Greens. In 2005 the rightist Coalition Party began to prepare their new programme for the party and carried out a survey asking about BI: “Do you support a citizens salary or a basic income if it simplifies the existing social security system and removes other benefits simultaneously?” The answering percentage of this inquiry was 58 %; 64 % of those who answered supported BI, 31,1 % were against BI. This raises a question about the reason for this kind of different results in different studies. I assume the Finns generally understand that pay and work belong together. In the second survey when more information was available, people thought that basic income and citizens salary meant different things. BI was accepted only if it helped to simplify our social security system.

6. Parliamentary election 2007 and BI

When the Greens began to prepare themselves for the parliamentary election in 2007 they decided to include BI again as one of the main issues in their election programme. This time the matter was better prepared than before. For a good start Osmo Soininvaara and Ville Niinistö, who was a new leader of the BI working group of the Greens, wrote a column “Work and social security can be combined” in “Helsingin Sanomat”, which is the biggest newspaper in Finland. This inspired a lively discussion in this paper for and against BI.

One of those who participated in the discussion in the press was Seppo Lindblom, an experienced economist and a Social Democrat, whose party has generally opposed BI. He headed his column “A couple of points towards humanity”. The main message was: “Basic income represents wider societal thinking in which an old-fashioned and conservative antithesis between the right-wing and the left-wing is not valid any more and in which equality and solidarity are enriched by new conceptual and target oriented thinking.”

The Greens’ BI project continued when they in September 2006 together with the Centre oriented research union organized a “Working seminar for BI experts”. In this seminar Osmo Soininvaara held a leading speech, which was succeeded by introductions presenting views of many leading economic and societal research institutes. In the audience there were many university professors, researchers and politicians from different parties. Discussion was lively, but according to many representatives of the research institutes there was still no exact information on BI sufficiently.
Later in November the Green Party organized a BI Seminar where professor Philipp van Parjis from Belgium lectured on BI. He is the founder of BIEN (Basic Income Earth Network) and one of the leading specialists of BI. The Greens developed a BI model which was accepted in the party council in December 2006 and finally published with exact calculations in February 2007. These calculations were based on the JUTTA simulation model programme. The Greens’ BI proposal, called “Model 2008”, was 440 € a month and it was a partial BI, which should be introduced step by step during 10–12 years. The Greens also underlined that this was just a proposal which needed further research. At the end of April after the election the Greens published their study on BI under a title “Basic Income – Towards practical Basic Security”.

In the winter of 2007 before the parliamentary election it seemed that BI would be an important subject. Suomen Kuvalehti, the leading magazine in the Finnish political debate, published some articles about BI and the leading article in March was very positive towards BI. The article was headed “New bases” with the following idea: “Basic income would be the most remarkable societal reform of this time. It would free energy for work and help men shake off the yoke. After the election it will be in front of us.”. Many parties had “Think Tank” projects which dealt also with BI. The Social Democratic Kalevi Sorsa Foundation released a publication “Basic Income. A hard or soft Solution?” It was written by a trade union researcher Ville Kopra who was very critical towards BI. In a press conference at the end of February 2007 before the parliamentary election there were Social Democrats like Tuula Haatainen, Minister of Social Affairs and Health at that time, and professor Pentti Arajärvi, the President’s spouse, who supported Kopras critical view on BI. Also another big party, the rightist Coalition Party had a “Think Tank” project of their own. In connection with this project, a BI seminar was organized at the end of February before the election. One of the speakers was Osmo Soininvaara. The audience with many entrepreneurs was very much for BI but a representative of the Confederation of Finnish Industries and one member of parliament were against it. In the summer of 2007 this “Think Tank” published also a book “In or out – Towards Basic Income?” in which all articles dealt with BI in one way or another (this is a summary of one article in the book concerned).

However, despite many BI projects the issue did not play a very important role in the debates during the parliamentary election (the election day was 18 March, 2007). All the leaders of the parliament parties participated in a TV discussion where the TV editors asked the party leaders about their opinions on the existing social security system and about BI as a solution to solve problems involved in the system. They all agreed that the existing system needed a reform but all, except the Green Tarja Cronberg, did not see BI as a solution. Social Democratic Eero Heinäluoma had learned his lessons from Kopras book. As soon as he had spoken out his arguments about BI nobody had anything to add. He stated: “Basic income encourages inactivity, is too expensive, means just an additional system among the others and does not support Lutheran work ethics.” In this quick and short discussion it was difficult for the Green Cronberg to catch up and express her views.

In the parliamentary election of 2007 the Social Democrats lost eight seats and the Centre four. The rightist Coalition Party from the opposition was the greatest winner with 10 new seats. The Greens won one seat. The Centre Party maintained its position as the greatest party with 51 seats against the Coalition Party which got 50 members to the parliament. As the biggest party the Centre had the Prime Minister’s post and the new government was formed together with Coalition Party, Green Party and Swedish People’s Party. The Social Democrats, the Left League and some smaller parties had to stay in opposition. This new “blue-green” government included a statement in their programme, according to which a reform of the social security system would be started to improve incentivenss of work, to reduce poverty and to guarantee a sufficient level of basic security in all
life phases. The government founded a “Social Security Reform Committee” and a subordinate committee called “Basic Security Sub-committee” with Osmo Soinivaara as chairman. Osmo Soinivaara’s contribution to further development of BI remains to be seen.

7. Summary of the debates

The Greens and Osmo Soinivaara have been very much in the public eye in the debate. During the last few years also other Green politicians like Ville Niinistö have presented opinions in favour of BI. More researchers and societal thinkers have joined the discussion. But the funds for bigger research projects dealing with BI are still missing. However, new and better micro-simulation programmes are available for the evaluation of the consequences of different BI models and levels.

The trade unions and industrial organizations are inclined to think that BI would weaken their power.

Even inside one political party there are supporters as well as opponents. But the division goes also by the parties; the Greens belong to the supporters and the Social Democrats to the opponents. Further, different BI models have supporters of their own regardless of their political stands. This makes it very difficult to achieve a general agreement on BI. If a “wrong” party or group proposes a BI model it is not very easily acceptable. According to right-wing supporters (mostly pro negative income-model) BI frees you of the “chains of the state” and reduces public control for example by means tested social security. Left-wing supporters regard BI as a way to root out the “slavery to bad capitalists” from market, especially from labour market. Many researchers and societal thinkers doubt whether BI is feasible in our society as criteria vary considerably. But behind this practical thinking there are different ideas of how we see human nature; are we trustworthy or do we need to be controlled? Is BI just another practical method to distribute material wealth or is it also a new citizen right like a universal right to vote, child benefit and national pension?

References /Literature

Empirical material from the book:


## APPENDIX

### POLITICAL PARTIES IN FINLAND 2007

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<tr>
<th>Name of the party</th>
<th>Seats in the Finnish Parliament</th>
<th>Group in the EU Parliament / Finnish delegates</th>
<th>About ideologies of the Finnish parties</th>
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<td>EPP-ED / Christian Democrats / 4</td>
<td>Conservative-liberal</td>
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<td>Former agrarian party, now liberal-conservative?</td>
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