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**FUTURES IN GOVERNMENT AND PARLIAMENT - Finnish experiences**

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## **1. Background**

The use of long-term forecasts and strategies in policy planning at the national level has a history of its own. In Western Europe, the economic and political situation after the Second World War gave rise in many countries to planning that was first concerned with allocating resources required for reconstruction and later for economic growth and building of welfare state. Countries that used such an approach include the Netherlands, Norway and France, where the tradition has survived in policy-making to the present day.

In Finland, this tradition was perpetuated by the Economic Planning Centre, which was part of the Ministry of Finance. Despite its name, the Centre engaged in applied economic research and also served as the secretariat for the Economic Council (founded in 1966). From the beginning of the 1970's to the mid-1980's the Centre produced long-term (10-15 years) overall assessments of Finland's economic resources at intervals of 3-4 years.

## **2. The Crisis of the Finnish Economy and Society 1990-1994**

### **2.1 Main Features of the Crisis**

Finland experienced an exceptionally deep and long economic crisis during the first half of the 1990's (1990-1994). Within few years, output was reduced ca 13 percent and unemployment rate was quadrupled to 18 percent. The economic crisis lowered standard of living at household level for many years, led to large number of bankruptcies in firms, to a large scale banking crisis and finally caused severe public finance problems which endangered the existence of the Nordic welfare state model in Finland (see Kalela et al 2001).

Table 1. The economic crises of the late 1980's and early 1990's

	Years of recession	Relative change, percent	employment (OECD estimate), percent of GDP	Largest output gap, percent of GDP	Change of inflation, percentage points	Increase of unemployment, percentage points
Finland	1990-93		-18.8	-11.3	-6.0	14.9
Sweden	1991-93		-14.7	-5.3	-9.5	6.5
Norway	1988-90		-8.7	-4.3	-7.3	3.9
Denmark	1987-93		-6.5	-5.5	-3.5	4.5
EU	1992-93		-4.0	-2.9	-3.1	3.7
USA	1990-91		-1.0	-2.5	-2.8	2.2

Source: OECD Economic Outlook (2002).

The recession caused severe problems to public finances.

Table 2. Fiscal balance in the crisis, percent of GDP

	Surplus in boom 1987-90 (1)	Surplus in bust 1991-95 (2)	Surplus in year 2000 (3)	Change from boom to bust (2)-(1)	Change from bust to 2000 (3)-(2)
Finland	6.3	-7.9	4.0	-14.2	+11.9
Sweden	5.4	-12.3	3.4	-17.7	+15.7
EU	-2.5	-6.5	0.3	-4.0	+6.8
USA	-4.1	-4.7	1.7	-0.6	+6.4

Source: OECD Economic Outlook (2000).

The change was big and sudden and it was proportional to the employment losses. The central government and the local government responded to the widening deficits by cutting expenditures and raising taxes. The cumulative discretionary savings made by the central government in 1991-97 amount to almost 10 percent of GDP.

The large budget deficits caused much worrying about the sustain ability of the welfare state model. It was argued in some quarters that the crisis and slow growth were not results of mere macroeconomic co-ordination failures but instead indicators of a deeper systemic failure (structures of welfare state). The political and economic policy discussion was directed to the question: Is it possible to combine economic recovery and finally economic success (real competitiveness and growth) with the structures of Nordic welfare model?

After the deep recessions of the early 1990's, Finland has experienced a strong recovery.

Table 3. Characteristics of the recovery; annual average growth rates from the end of recession to 2000

	GDP	Exports	Labour productivity	Employment
Finland	4.7	10.6	2.4	2.3
Sweden	3.1	10.6	2.2	0.9
EU	2.5	7.7	1.3	1.2
USA	3.8	7.9	2.3	1.5

Source: OECD Economic Outlook.

The recession was not followed by the revival of domestic demand as in many other countries, but by a rapid structural change and export-led growth. The economy was opened to foreign ownership and new trading partners and new industries emerged. The structure of production shifted from traditional engineering and forest industries to growing share of high tech products and ICT. The growth of high-tech exports has been fastest in Finland of all OECD countries.

The crisis was not only a major structural change in economy, but also a prime example of larger shift in politics. The crisis was enhanced by the collapse of the Soviet Union as the considerable trade between the two countries (27 % of Finland's exports went to the Soviet Union in 1982, 5 % in 1989) ceased abruptly. At the same time Finland turned politically to the West and free market economies and applied for the membership in the EU (the referendum of membership took place in 1994 and membership was valid from the beginning of 1995). In this context the crisis was a part of a change of political regime from state controlled markets to market liberalisation (see Kalela et al 2001).

## 2.2 Lessons and Consequences

As many studies on organizational change confirm, the best and often the only way for the organizations to learn is by crisis. This is often true on the level of individuals, and one may hope, that it would be possible for economies and countries, too.

Which are then the lessons we learnt? As my topic is national futures, I sum up the consequences and lessons also from the point of view of changes in the strategic thinking and instruments on the national level:

a. The ideology of rational planning, which had been dominant in Finland for decades, proved to be vulnerable in the crisis of the 1990's. It had to be rethought. Among others the following questions had to be answered: Which were and which are the driving forces and directions of the changes in the international environment, which looked rather unfamiliar? Which are the essential changes in the geo-economic and geopolitical environment? Which are possible and desirable strategic alliances in alternative futures scenarios? Which are the public policy instruments which would work? Which are options and which are threats in the new environment? Which are national strengths and weaknesses? Which are strategic choices?

b. In order to be able to answer the new questions, the arsenal of instruments in the public policy planning had to be widened (see sections 3. and 4.)

c. The loss in national wealth during the crisis had to be compensated as soon as possible, which implied a new strategy of growth.

d. The employment had to be - in addition to growth - the main goal of any public policy.

e. The future of welfare state and strategies concerning its vulnerable future form had to take a prominent place in any public policy planning. It was necessary not only for political reasons (a strong backing of welfare state among the citizens) but also for economic reasons. The stability of public finances in the long run is also one of the basic requirements for the EU and EMU members.

f. Competitiveness got a new significance after the experiences of crisis and in the new conditions of open markets and global competition.

### **3. National Visions and Strategies: New Instruments**

As the crisis was deepening, the PMO began to study the governmental foresight systems and policy-planning experiences of different countries (see Löppönen, 1992). The PMO also started to implement - with the assistance of both Finnish and foreign experts - a think-tank programme concerning the state of the nation and to structure a seemingly chaotic future.

Readiness to undertake new initiatives of policy planning on a national level matured politically in 1992. Two thirds of the Finnish Parliament backed an initiative calling on Government to devise strategies for Finland's future choices. The Parliament decided to require " the Council of State to make a report to Parliament, outlining the main features and options for future developments, together with the statement of the Council of State's own targets, i.e a rough idea of the kind of future society that it is aiming at during its period of office".

#### **3.1 White Paper on the Future of the Nation**

*\* First White Paper on the Future of the Nation: Charting Finland's Future Options ( 1993)*

In the severe crisis atmosphere - economic, political, social and even moral crisis - the goals of the report were set as follows: 1) to analyse an extremely fuzzy situation by seeking long-term trends and 2) to form an agenda of the key issues for Finland's future. The challenge was to distinguish - in a state of uncertainty and ignorance - the durable success factors, on the one hand, and the modes of action that would likely to increase weaknesses in the fastly changing operating environment of the future.

As divergent knowledge base as possible was used to break out of the vicious circle of short perspectives and hasty reactions caused by crisis; it would also make easier to distinguish between structural, cyclical and situational factors which all played a role.

The agenda - which was to be monitored at the level of national strategy and decision-making - comprised eleven key issues. In the agenda one can see the basic strategic goals, which got strong political and economy policy weight in the recovery from the middle of the 1990's onwards: primacy of welfare state, employment, membership in EU, opening up the Finnish economy and society, renewal and diversification of production structure, primacy of real global competitiveness, information society, renewal of public sector and socio-economic consequences of aging population. They are still basic issues in the strategic economic policy planning as can be seen in the following sections.

*\* Second White Paper: Finland and the Future of Europe ( 1996) ; Skill and Fair Play- an active and responsible Finland (1997)*

The themes of the second White Paper were chosen in a close relation to the political programme of the Government. The preparatory meetings, where the topics of the report were chosen, were chaired by the Prime Minister with the participation of the leader of each political group in the Cabinet. The report would be the Government's strategic document with the following topics:

1. The future of Europe and Finland's policy on Europe

2. Future socio-economic policy

- \* The long-term opportunities and risks of the Finnish economy
- \* The long-term trend in Finnish employment: the future of the 'working society'
- \* The Finnish information society and know-how
- \* Welfare and generations: assessment of the long-term effects of budget cuts on welfare
- \* Individualism and communitarism in public policy planning (eg. welfare responsibilities).

The EU-policy part of the White Paper was submitted to the Parliament ca 18 months after Finland joined the Union and two months before the first election of Finnish MEP's. The report was important in the respect that it formulated for the first time the Finnish position in the future development of the Union ( eg. EMU and political form the Union) and Finnish priorities in the EU policy.

The socio-economic part of the White Paper was submitted to Parliament in a situation characterized on the one hand by exceptionally high economic growth (6-7 percent) and resulting optimism and on the other by the economic, social and even moral problems of mass unemployment (14-15 percent). The main strategic task of the Government was in this situation to decide a right balance between two necessities: 1) to secure social harmony by covering the costs of the crisis and by answering the expectations of the citizens and 2) to invest in the future in a sustainable manner.

Finland had been for decades known as a country of natural resources and major investment in physical capital: now her vision was to be among the top countries in the world with respect to human and social capital ('Skill and Fair Play'). Finland was moving from the period of investment-driven growth to one of innovation-driven growth. The White Paper emphasises that Finland will no more be a latecomer that adopts its models from other countries; the development will be based on the country's own strategies and Finland will be a forerunner in an increasing number of sectors.

The White Paper thus reflects a radical change of Finland's development model. The new model is characterized by a strong emphasis on sustainability in all public policy, openness to European and global participation, real competitiveness, high level of skill and competence and care of all citizens.

*\* Third White Paper : Finland 2015 - Balanced Development (2001)*

The latest White Paper on the Future was submitted by the Government in November 2001.

After 7 years of historically very high growth, a more versatile production structure on the national level, favourable development of both real and price competitiveness and opening up of -not only the Finnish economy- but the Finnish society as a whole to globalization, Finland's challenges are different.

The Government looks at the following driving forces as most significant for Finland's future 2015:

*\* Globalization* is seen as an opportunity for Finland, as well as for Finnish production structure and businesses.

*\* Finnish competitiveness* is seen positive. Main weaknesses are high tax level and bottlenecks of labour markets.

*\* The Finnish information society* is a major strength, but a major challenge will be the integration of regional economies into the development of international information society.

*\* Closer cooperation within the EU* has been and will be a major opportunity for Finland (incl. growth and stability creating mechanisms of EMU). The enlargement will bring to Finnish economy both opportunities (mainly participation of the Finnish high level expertise in the modernisation of the new member countries) and threats (mainly agriculture).

*\* Population developments* - especially aging population structure - will have a major impact on the Finnish economy and welfare. Together with the structural unemployment and increased concentration of production, workforce and population it may form self-reinforcing processes, which will function as bottlenecks of *regional development* and gradually of the Finnish economy as a whole.

Population developments, employment and regional development is the **'painspot triangle' of the future** and it is also the focus of the White Paper.

The basic features of this triangle are described in a concise form by the following data.

*Table The population of Finland by age groups 2000-2030, million persons*

<i>Age group</i>	<i>2000</i>	<i>2030</i>
<i>Children (0-19)</i>	<i>1.28</i>	<i>1.09</i>

<i>Young people (20-34)</i>	<i>0.98</i>	<i>0.86</i>
<i>Middle-aged (35-49)</i>	<i>1.16</i>	<i>0.99</i>
<i>'Grown-ups' (50-64)</i>	<i>1.0</i>	<i>0.96</i>
<i>'Pension panthers' (65-79)</i>	<i>0.6</i>	<i>0.97</i>
<i>Aged people ( over 80)</i>	<i>0.18</i>	<i>0.42</i>

The dependancy ratio (relation of children and retired persons to working age population) has been exceptionally good for the last 20 years , ca 0.63-0.66. In 2000 it was 0.65, will stay at this level until 2007 and then increase steadily so that it will be 0.88 in 2030.

The concentration of the population, production and labour has been fastened during the 1990' and it will continue in the future. The population will increase in the Helsinki metropolitan region and 5-7 growth centers, but it will decrease in other areas. The relation of the size of the age groups which are entering the labour force to the age groups which leave it, is decreasing quickly in the next twenty years. The change is dramatic outside the growth centers and especially in Eastern Finland. The young, educated and skilled are moving to the centers and the old, less educated and unskilled (and often unemployed) will stay. The availability of the labour force will be a major challenge in the whole country.

The Government's strategies can be summarized as follows:

1. Labour supply will be increased in all age groups: Young people should enter he labour market earlier than today. A better adult education system must make possible for middle-aged people to find jobs and change them. Older people should be encouraged to stay longer in the labour market (today the real retirement age is ca 59).
2. Finland should attract more foreigners to work in Finland, which implies a change in the immigration policy, but also in the public policy in general ('multicultural Finland').
3. The investments in education and learning will be increased , and above all, be used more efficiently and effectively.
4. Advisory and development services to help entrepreneurs and new businesses setting up will be promoted all over Finland.
5. A constant focus will be placed on the investments in R &D which are already among the highest in the world (of GDP). In future, the ability and opportunities of the regions to utilize national and international know-how will be strengthened.
6. A relocation of government units will be on the agenda. Regional development programs - partly financed by EU Structural Funds and partly by national funding - will be diversified.
7. Welfare services will be accessible to all also in the future, which will maintain the basic principle of the Nordic welfare model.

### 3.2 Political Dialogue between Government and Parliament on the Future of the Nation

After first White Paper the Parliament decided to appoint a special Committee for the Future to evaluate the report and reply to it. On the basis of the proposal of the Committee the Parliament decided that the Government should submit the White Paper at least once in the election period. The resolution has generated a unique political dialogue between Government and Parliament regarding the nations central future-related issues.

The Committee functioned on a temporary basis until the year 2000. In conjunction with a major constitutional reform, the Parliament decided to grant to the Committee a permanent status from the beginning of March 2000.

The tasks of the Committee include - besides the futures dialogue - make statements to other parliamentary committees on future-related issues, process issues relating to long-term development factors and development models, to monitor and develop future-related research and function as the parliamentary organ of assessing the societal consequences of scientific and technological developments.

Our global operating environment is undergoing a number of radical changes. What will be the impact on national level on political decision-making? What type of future challenges are to be expected in population based issues (incl. labour force and employment)? What are the development options for a welfare society? What are the success factors on the national/regional level? Which are the future opportunities and threats of information society?

These are examples of questions which are considered in a broad political process in today's Finland. It is a firm basis for finding challenges and for formulation of national strategies.

#### **4. Competitiveness and the Way Forward**

Hand in hand with globalization every economy is faced with increased competition for the location of businesses and production. Internationalisation has meant that companies are not only very mobile but also very selective about their operating environment.

As ia. recent OECD growth study implies, competitiveness should be evaluated constantly not only from the location point of view but also from the point of view of the key underlying factors affecting future growth in output and productivity.

There are some international studies on the competitiveness, of which reports of World Economic Forum (WEF) and International Institute for Management Development (IMD) are best established.

Finland's ranking in the IMD and WEF surveys was excellent in 2000 and 2001.

*Country Ranking in Selected Competitiveness Surveys in 2000 and 2001*

	IMD Global Competitive- ness index		WEF Growth Competi- tiveness index		WEF Current competi- tiveness index	
	2000	2001	2000	2001	2000	2001
USA	1	1	1	2	2	2
<b>Finland</b>	<b>4</b>	<b>3</b>	<b>6</b>	<b>1</b>	<b>1</b>	<b>1</b>
Singapore	2	2	2	4	8	10
Netherlands	3	5	4	8	4	3
Sweden	14	8	13	9	7	6
Canada	8	9	7	3	11	11
Hong Kong	12	6	8	13	16	18
Ireland	5	7	5	11	22	22
Switzerland	7	10	10	15	5	5
Germany	11	12	15	17	3	4

It should be added that Finland was first also in the 2001 report of UNDP (*The Human Development Index*) in the use of technology and in the 2001 report of the WEF on the sustainable development (environment).

Even if international reports are rather consistent and point to the same direction, bench marking of competitiveness as a part of national economic policy strategy on a constant basis is highly important. What is the condition of key underlying factors affecting future growth and productivity of Finland's economy?

The Ministry of Finance started the benchmarking of competitiveness in the middle of the 1990's and has monitored its development ever since.

*The Finnish Economy in 2001: Competitiveness*

*(strengths (+), neutral factors (0) and weaknesses (-))*

- + Good standard of basic education and high educational level
- + Stability of labour market (social harmony)
- + High level of R&D investment
- + Active research collaboration (nationally and globally)
- + Information society infrastructure, equipment and usage
- + Highly successful ICT industry
- + Well-functioning transport systems
- + Advanced energy technology
- + Low level of poverty
- + Comprehensive health care system with advanced technology
- + Finland as a promoter of environmental protection and sustainable development

- 0 Availability of venture capital
- 0 Price of electricity for enterprises
- 0 Social protection expenditure
- 0 Level of public debt

- Future labour supply
- Structural nature of unemployment
- High total tax rate
- A deficit of 40 000-50 000 businesses (compared with EU average)
- Early retirement
- Ageing population
- Wide regional disparities

*(Ministry of Finance 2002 and Economic Council of Finland, November 2001)*

Which then are the challenges of Finland's competitiveness? When we compare the present situation with the situation in the middle of recovery (ca. 1996- 97), it is obvious that there has been a major change in the challenges. Finland has advanced in a significant way in R & D investments, scientific and technological infrastructure and cooperation and all aspects of information society development. Finland has opened up to a global competition and also to global perspectives in all fields of public policy. Economic fundamentals for sustainable growth which got favourable in the late 1990's remain sound. Production structure is more versatile, export industry is more diversified making the economy less vulnerable, and the financial regime for enterprises is more robust. Membership in EU and EMU has boosted the potential for stable economic developments.

Today the challenges are related especially to two issues:

1. How is it possible to secure the supply of labour during the next decade in the conditions of fastly aging population , diversifying regional structure and not quite ideally functioning labour markets?
2. How is it possible to secure Finland's strengths into the future at the lower tax rates in the conditions of aging population, high level of structural unemployment and stability and growth pact (EU) and decreasing the costs of public debt?

## **5. Preparing for the Future Today: Long-term Scenarios**

One of the consequences of the crisis of the 1990s has been a spread of the readiness of the different branches of the public administration to undertake long-term strategic work. Foresight is used as an instrument of policy planning.

Ministry of Finance was traditionally not very enthusiastic in the modern methods of foresight. As was seen in section 4, it started at the end of the 1990s a consistent monitoring of the Finnish competitiveness. As a fresh sign of a change of the attitudes is long-term scenario building at the Ministry (Ministry of Finance 2002).

The medium-term ( 3-5 years) projections cannot provide sufficient information on future challenges. The sharp shift in the age structure of the population and its impacts on developments in the labour markets, public finances and the whole of the economy will only become manifest in the next couple of decades. In order to make provision for these effects and to address them in a timely manner, a clear vision of the main elements in future developments is needed already now.

The long-term scenarios to 2050 mainly serve in analysing the impacts of the ageing of the population from the viewpoint of the labour markets and public finances.

Public sector expenditure is divided in the scenarios into three main categories: Consumption expenditure, interest expenses and other expenditure. Consumption expenditure is subdivided into age-related education, health care and social welfare outlays and into other consumption expenditure.

Summary of the key assumptions of in the scenarios are outlined in the table (see all the assumptions in Ministry of Finance, 2002).

Table Summary of the key assumptions in the scenarios

	Baseline scenario	Slow growth scenario
Premises; developments in 2001 - 2007	Baseline alternative: 2.8 % growth per annum and in 2007: a 7½ % unemployment rate a 4 % surplus-to- GDP ratio in public finances	Weak alternative: 1.5 % growth per annum and in 2007: a 14 % unemployment rate a ½ % surplus-to- GDP ratio in public finances
Growth in labour productivity	1.75 % per annum	1.50 % per annum
Labour participation rate	Rises gradually to about 80 % of working age population	Stays at level reached in 2007
Central and local government	Outlays based on the business cycle and on changes in the population structure; tax level determined so that the surplus gradually diminishes to reach balance by the mid-2010s.	Outlays based on the business cycle and on changes in the population structure; tax level determined so that general government finances can be maintained in balance as outlined in the Stability and Growth Pact.
Employment pension funds (TEL funds)	Current funding rules	Current funding rules

Economic Policy Challenges in Coming Years, Ministry of Finance, Finland 4/2001

Within the context of the labour markets, a significant turning point in the supply of labour resources would take place around 2007 - 2010, when the size of the working-age population would begin to fall. The unemployment rate for the period is forecast at 7 per cent, construed in the long-term scenario as a kind of structural equilibrium below which it will not be possible to go without creating inflationary pressure. The assumption on labour productivity in these scenarios (average annual growth in productivity estimated at 1.75 %) constitutes a crucial parameter in regulating growth potential in output. Labour participation for those of working age is estimated at a level of 74 per cent until the end of this decade. In the population projection, the population of working age is forecast to fall at an annual rate of ½ per cent between 2010 and 2030. This means that unless the participation rate (ratio of labour force to population of working age) rises, the assumed increase in productivity would allow for growth in output of just over one per cent. In the scenario, the participation rate is assumed to gradually climb close to an 80 per cent level and total output to increase at an annual rate of 1½ per cent. The number of employed is expected to decrease by about one quarter of a per cent a year, while the employment rate (ratio of employed to population of working age) promises to edge up to a level of around 73 - 75 per cent. This is about the same level as during the cyclical upswing of the late 1980s.

### 5.1 Main Challenges

Main conclusions on the scenarios can be summarized as follows:

- The next ten years or so will determine the sustainability of public finances in the long run. If the rate of economic growth in the range of the assumed 2.5 to 3 percent a year and if public expenditures (excluding interest expenses) increases slower than total output until 2010, it seems possible in the next few years to reduce public debt and to also ease the high taxes.
- The compliance with the obligations set out in the Stability and Growth Pact would become difficult, if Finland would go into the stage of slow growth or should public finances increase considerably more than projected.
- The tax level is becoming an ever greater obstacle to future growth.
- Participation and employment rates are crucial for the baseline scenario to be viable.

It is highly important to take also uncertainties into account:

- Developments in the world economy and the euro area economy are part of the fundamentals of the Finnish economy. While two thirds of Finland's foreign trade are still being conducted with economies outside the euro area, the euro exchange rate inevitably constitutes one of the key issues.
- The enlargement of the European Union is opening up new opportunities but also changes in the conditions for competition.
- Pressures to public sector expenditures are increasing.

Main challenges and key issues in general economic policy can be summarized as follows:

- How to put the resources of the population of the working age into effective use?
- How to match the skills and competence of the labour force with future demands?
- How to safeguard the growing need for pension, health care and long-term care services for the elderly without jeopardising the sustain ability of public finances?
- How to ensure that Finland remains an attractive location to set up businesses and to work in an increasingly more globalized international economy?
- How to create robustness to adjust structures to future and unknown needs for change?

(Ministry of Finance 2002 pp. 31-33)

Economic Council of Finland acts as a forum for dialogue between the Government, the central bank, trade unions and employers. The issues discussed by the Economic Council fall into four groups:

- The international economic environment.
- Factors critical for Finland's success in international cooperation.
- Promotion of production, employment and welfare.
- Development of institutional and market structures.

It has a small secretariat which is situated in the Prime Minister's Office. It can appoint expert groups, the reports of which are published under the responsibility of the secretariat.

The role of the Economic Council in the economic policy strategy of Finland has been important during the last 7-8 years. This importance stems from the fact, that a **consensus model of income policy and other related public policies has been chosen by the Government as its main strategic instrument**. Its use will continue also in the near future. The Council acts in this structure as a major forum of preparatory discussions and consensus building.

The Council has concentrated in two last years to a significant extent to the challenges of the 'pain spot triangle', also as a preparatory work for the next round of income negotiations which will take place at the end of 2002. The topics of the three last reports are:

- Regional development and regional policy in Finland
- Ageing Europe: Implications for the labour market and public expenditure.
- Labour market exclusion, income distribution and poverty.

## **6. Main Features of Visions and Strategies**

In today's discussion a lot of arguments can be found pro and contra a proper role of visions in the development of economies and societies. It is often easy to see, how visions are used in avoiding difficult political choices. On the other hand, it is equally easy to note, how policies can be spoiled by not having a common view of the direction.

In the case of Finland the exceptional events during the last fifteen years have forced both the Government and other organizations to develop visions and strategies. Their can have different roles: they can be used in the exploration of the future options, they may be helpful in the formulation of agendas and they can be instruments for consensus building, which has been traditionally important in the Finnish policy-making.

The following visions are not an explicitly formulated and decided list, but an interpretation of the Government long-term reports, statements of the Committee for the Future of the Parliament and long-term policy documents of the ministries.

#### Finland

1. will be developed as a society and economy, which is open to global competition and cooperation.
2. will be an active and responsible member of the EU, which will be developed as an enlarging and competitive regional actor.
3. will be highly competitive both from the location point of view and from the point of view of underlying factors affecting future growth.
4. will be one of the global forerunners in the development of knowledge-based economy and society.
5. will combine the advantages of universal welfare society with the options of knowledge society: universally available and publicly financed education, social and health services will advance equal opportunities, prevent social segmentation and exclusion and strengthen the basic conditions for an advanced knowledge society.
6. will exercise a policy of sustainability in all sectors of public policy. Sustainability includes i.a. consensually designed goal-setting, transparent rules of the game, robustness and diversification of structures.

Public policy strategies are ways to the society we want to develop and to live in. On the basis of the exploration of the operating environment, challenges and visions it is possible to define strategies, which point at the same time to the direction and to the skills, competences and resources which must be developed.

Main public policy and economic policy strategies are listed in a general form as follows:

- a. An active policy on the future EU and Europe (incl. Russia), which brings stability to the geoeconomic and geopolitical environment. Stability and Growth Pact is an essential instrument in the economic policy.
- b. A consensus model of goal-setting and policy-making in essential economic, employment and social policy issues.
- c. The functioning of the 'working society' will be guaranteed by raising the employment rate from ca 68 percent today to 80 percent in the coming decades. This implies a lot of changes in the labour and social legislation, in the education and training system and in the practices of employing elderly people (later retirement).
- d. A long-term policy of reforming tax system both for the functioning of labour markets and for the competition for production resources and their location.
- e. A long-term policy of investments in S & T and in other competitiveness factors affecting knowledge intensive growth.

## **7. Summary and Conclusions**

Finland has experienced during the last fifteen years dramatic changes in the geo-economic and geopolitical environment. They have caused - together with domestic policy mistakes - an historically exceptional crisis, which has been followed by an historically exceptional recovery process. This process has included new strategic alliances (above all membership in the EU and EMU), new development model (from extensive to knowledge intensive development) and opening and restructuring the economy and society.

Today Finland has new challenges ahead. They are primarily concerned with maintaining the strengths which have made Finland successful in various benchmarking exercises, and preventing the weaknesses to become permanent obstacles to further sustainable growth and development.

The challenges today are related foremost to human resources, public finances and balanced regional development.

During these years the role of long-term strategic work has got ever more important. The unique political dialogue between the Government and the Parliament has been established and a special parliamentary Committee for the Future is nowadays working on the permanent basis. The instruments of strategic foresight are being used widely also in the public administration.

I am convinced that national foresight methods and structures should be developed and strengthened further in all countries to cope with the future changes in the global environment and with the higher complexity of our societies and economies.

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