From economic democracy to market adaptation –

The flourishing and fall of a political concept

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Introduction

The idea of making the economic sphere more democratic has been a persistent theme in political discourse, but in the last decades it has been restricted to more marginal academic and activist debates in most Western countries. This paper analyzes the use of the concepts ‘economic democracy’ and ‘working life democracy’ in Finnish political thought and rhetoric from the late 1970s until early 1990s. Drawing on the conceptual historical approaches of Quentin Skinner and Reinhart Koselleck, I will examine how political and labor market actors used and defined these concepts in their rhetoric, concentrating on struggles between different usages of concepts and on ways of legitimizing them.\(^1\) As suggested by Mark Bevir, I will also sketch out the webs of beliefs of historical actors which can explain the different uses of concepts and their change.\(^2\) I will pay attention especially to value hierarchies that could legitimize and delegitimize different conceptions of economic and working life democracy. In this respect, the tension between the concepts of democracy and competitiveness as components of the national interest becomes significant. The focus of analysis will be on the thought and rhetoric of the Social Democratic Party (SDP), the

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right-wing National Coalition Party (NCP), The Confederation of Finnish Employers (STK) and the Central Organisation of Finnish Trade Unions (SAK).

Even though I restrict my analysis to Finland, it should be noted that the debates and trends examined were largely transnational. From the 1960s onwards, economic and working life democracy emerged as important topics throughout Western Europe in conjunction with the radicalism of the ‘new left’. In many countries these ideas were channeled into policy proposals aiming to restrict the power of capital. In Finland especially the social democrats and the trade union movement advocated democratization, which primarily meant democratic steering and planning of the economy as well as employee influence and decision-making at workplaces. However, actual results of the democratization debate were quite far from the initial leftist visions.

In 1978, after a 12 year debate and preparation process including two state committees, the Finnish parliament passed the Act on Cooperation within Undertakings, which established a new practice of negotiation on “significant changes concerning the employees”. The law did not give employees any concrete power to influence decision-making, but the employer still had a unilateral right to make decisions after the required negotiation had been carried out. This followed the line of the employer organizations and the right-wing parties, which sought to increase voluntary employee participation in order to enhance the efficiency and competitiveness of Finnish business. In this line of thought, democracy was conceptualized using the more neutral term ‘cooperation’, which did not imply redistribution of power at workplaces. The left and the trade unions were not entirely pleased with the law but many considered it a first step towards the democratization of working life.

**From planned economy towards free markets?**

In the 1980s bringing democratic principles into the economy and working life still was – at least rhetorically – as important political objective for the Finnish left as it had been in previous decades. The Finnish debate on economic democracy drew much inspiration from Sweden, where a full array of new working life legislation was passed in the 1970s, including employee representation in corporate governance, security of employment, work safety and co-determination. During the latter

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half of the 1970s, economic democracy and working life reforms began to face stronger opposition in Sweden and the social democrats suffered an electoral loss in September 1976, ending their 44-year term in government. However, economic democracy did not lose its relevance and the debates continued, especially regarding wage-earner funds, which turned out to be one of the most controversial political issues in Sweden in the 20th century. Due to economic stagnation and shifting power relations in both Finland and Sweden, these debates took place in an increasingly market-oriented, even neo-liberal political atmosphere favoring economic deregulation and privatization. This contributed to significant conceptual changes also in regard to democratization of economic and working life.

In the beginning of the 1980s, the Social Democratic Party was Finland’s most powerful political group: it was the largest party in the parliament with 24% of the vote, and had the seats of Prime Minister and, from 1982 onwards, also the President. Most often the party formed a coalition government with the socialist/communist SKDL and the Center Party (former Agrarian party). The Social Democrats had already during the 1970s geared their policy away from the goal of socialism to a more market- and business-friendly direction. Democratization of the economy and working life nevertheless continued to have central roles in the future-oriented visions of social democratic ideal society, which were expressed in party programs and public rhetoric. SDP gave these concepts similar criteria and ranges of reference as earlier: they were closely connected to the concept of democratic socialism and meant especially public control over economic activity and increased employee decision-making within companies. Some scholars have considered that the programmatic statements were a concession to the party’s left wing, while actual policy from the second half of the 1970s onwards was aimed primarily at increasing the competitiveness of Finnish export industry and curbing inflation instead of democratization and full employment.

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10 Outinen, 106–109.
In 1978 the party published a programmatic document named *The Direction of Social Democracy. SDP’s Roadmap for the 1980s*, which stated the traditional objective of bringing democracy to new walks of life: “Extending democratic principles to the economic life – to production and to work communities – is a precondition for the development of a socialist society.”¹¹ The program talked about “replacing the capitalist ownership and control of means of production”, and “the necessity of planned economy” but emphasized gradual and democratic implementation of reforms. Under the section “Towards economic democracy”, the program listed familiar objectives such as public steering of investments, tighter public control over banks as well as pension and insurance institutions, establishing wage-earner funds and promoting worker and consumer cooperatives. The central criterion for economic democracy was still the possibility of citizens to exercise actual democratic control over economic decision-makers. Diffusion of power and ownership were central aspects of the aspired democratic reforms, and especially wage-earner funds were now considered a way to realize this goal:

”The redistribution of influence and responsibility, which is related to establishing economic democracy, requires changes in the ownership and decision-making of companies. In the coming years we must create a system which permanently transfers ownership-based decision making power to employee-governed so called wage-earner funds. The assets of the funds should be used for financing production.”¹²

However, the Social Democrats now phrased their objectives in a way which could not be interpreted as advocating the complete nationalization of financial institutions: public control meant for example appointing political representatives in the supervisory boards of commercial banks. Also the idea of economic planning seems to have been giving way to the market mechanism. By the end of the 1970s an increasing number of social democrats considered democratic socialism a model of mixed economy – a middle-way between free markets and centralized planning.¹³

In addition to economic democracy, the social democrats continued to advocate workplace or corporate democracy, which usually meant modifying power relations within companies and workplaces. According to the social democrats’ program, the reforms were to be gradual. The most important tasks were limiting the employer’s unilateral right to interpret laws and agreements, as well as increasing mandatory negotiation and agreement with the employees and direct employee

¹² Ibid.
participation in decision-making. These demands would have meant modifying the rather moderate Cooperation Act to the direction of the Swedish co-determination legislation. The distinction between ‘macro’ and ‘micro’ – national and workplace – levels of economic democratization was still common in social democratic thinking, as was maintaining that the two levels should be viewed as a whole. In March 1979 Kalevi Sorsa, the chairman of the Social Democratic Party, expressed the distinction in SAK newspaper Palkkatyöläinen (Wage-worker) by stating that there were two main lines of action to be pursued in regard to economic democracy: extending the authority of the government and the parliament in steering the economic life, and increasing the direct influence of wage-earners.\textsuperscript{14}

The social democrats’ Roadmap program’s ideals of economic democracy were present also in the renewed platform of the party in 1987, although the statements had been modified to a more moderate direction from the earlier programs. Control of financial institutions was no longer an objective, but the party aimed at their “societal supervision”.\textsuperscript{15} The acceptance of the market mechanism had become more explicit than before, but the social democrats still advocated for a mixed economy with appropriate shares of private and public activities. The platform argued that public steering and planning aiming at common interest were necessary alongside market-based allocation of resources. Party secretary Erkki Liikanen stated to employer newspaper Teollisuusviikko (Industrial Weekly) that social democrats were in favor of market economy but saw that it must be regulated.\textsuperscript{16}

Sami Outinen has considered the 1987 platform a move away from the ideal of a planned economy to a more moderate steering of capitalism, even though many social democrats still advocated for a more radical approach.\textsuperscript{17} Outinen’s interpretation is correct as such, but he overlooks some of the more radical content of the platform, such as claims for redistribution of power and wealth which had retained their place from earlier social democratic programs at least as long-term objectives. SDP’s platform of 1987 still put forward headlines and slogans implying redistribution of power, now even more clearly coupled with new forms of democracy, such as “From the power of capital to the power of labor”, “Work grants the right for self-governance” and “Towards participatory democracy”. The document expressed the belief that uneven distribution of productive means and the resulting societal power of capital were still the most significant obstacles to values such as personal autonomy, freedom, democracy and collective responsibility. The party continued to call a

\textsuperscript{14} Palkkatyöläinen (PT) [Wage-worker] 9/1979, 4.
\textsuperscript{15} See also Outinen, 181–184.
\textsuperscript{16} Teollisuusviikko (TV) [Industrial weekly] 20.2.1986, 3.
\textsuperscript{17} Outinen, 187–189.
system based on these ideals democratic socialism and named economic oligarchy as one of its main opponents.

“The economic system must be developed according to the principles of democratic socialism so that common interest, influence of every citizen and collective responsibility replace economic oligarchy. Social democracy is a constant struggle for the just distribution of production.”

In this kind of rhetoric, social democrats put forward a conception of common good alternative to the ones voiced by the employers and the political right, whose version was based on individual freedom and private ownership. Even though protection of personal possessions was considered a basic right, the constitutional protection of ownership was again portrayed as an obstacle, which had to be removed in the name of true democracy. However, there was now stronger emphasis on local democracy, implied by the concepts of participation and self-governance. This suggests that the critique of bureaucracy and centralized state power, which had emerged already in the 1960s, took some time to truly affect the social democratic rhetoric of democracy.

**Battling bureaucracy with self-governance and participatory democracy**

As strongly synonymous to economic oligarchy, concentration of power was a central counter-concept to economic democracy and democracy in general. This can be seen, for example, in the Social Democratic party conference of 1981, which handled a thorough motion on economic democracy and wage-earner funds. Its rhetorical techniques juxtaposed democracy with prevailing hierarchical practices, which were equated with the negative concepts of bureaucracy, concentration of power and the interest of the few.

"In order to retain the ability for initiatives and work motivation, which are crucial to economic activity, we should move from bureaucratic management and inflexible organizations to a more democratic direction. (...) The transition to a more equal organization requires changes in the company’s objectives. They can no longer be based exclusively on the interest of shareholders, but on the benefit of everyone participating in the company’s operations.”

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19 Ibid.
Later it can be seen that also the employer side often used terms such as “bureaucratic”, “centralized”, “inflexible” and “group interests” as closely bundled and even interchangeable to delegitimize the democratic claims of the employees. Because the terms seem to have had inherently negative connotations, the actors did not seek to change them but modified instead the terms’ ranges of reference to fit their rhetorical goals. The Social Democrats connected centralization primarily to the concentrated ownership structures of private companies. SDP had some pains with the term ‘bureaucracy’, because opponents used it to condemn collectivism, societal steering, and the welfare state, thereby calling for less regulation and more individualism. The Roadmap program acknowledged this by stating that developing the society by socialist methods could not lead to such centralization and bureaucracy which would harm democracy and civil rights. Party secretary Ulf Sundqvist wrote in *Sosialistinen aikakauslehti* (Socialist Periodical) that the social democrats had been needlessly defensive against the attack of “anti-bureaucrats”. According to Sundqvist, bureaucracy had also positive content, which was related to traditional demands of the social democrats, such as controlled, equal and public handling of common matters. He argued that people’s rights could be defended and their needs fulfilled only through democratic public control.\(^{21}\)

Criticism towards state-centered bureaucracy and representative modes of democracy brought about a growing interest in participation at grassroots-level, which had been a notable transnational development already since the 1960s.\(^{22}\) The social democrats’ ideas of democratization through the state and the trade union movement had been persistent, but now even the party leadership voiced increasing criticism towards this kind of centralization. SDP’s chairman Kalevi Sorsa stated localized forms of democracy as a goal in an interview in 1981: “One major line which will become clarified during the 1980s is executing democratic socialist way of thinking by bringing decision-making to people themselves instead of large organizations.”\(^{23}\) The trend became stronger towards the end of the decade. In the Social democratic platform of 1987, self-governance and participatory democracy meant extending democracy in working life and local government alike. The program also put forward the traditional social democratic notion of different spheres of democracy – social,


\(^{23}\) SA 2/1981, 6–9.
economic and cultural – and connected them with corresponding civil rights. In working life, these rights were to be secured by familiar means: granting employees new forms of decision-making in companies, self-governance regarding their own work, and the possibility to control collective funds. The employer’s obligations to negotiate on significant changes were also to be increased.

What was new in the platform was a stronger emphasis on “self-governance”, which to a large extent derived from the critique of bureaucracy discussed earlier. The critique thus affected also statements regarding economic and working life democracy, even by making free markets seem more desirable and antithetic to centralization. Party official Pentti Puoskari commented the 1987 platform in Socialist periodical and wrote that the old platform was already considered too “state socialist”. Instead party members wanted a reform strategy “from below” in order to bring about economic democracy. This included also accepting markets as a natural system as long as there was also planning aiming at the common interest. While the social democrats emphasized democratization in workplaces and local governance, the traditional idea of economic democracy as macro-level steering became less pronounced in the new platform.

**Wage-earner funds turn into company-specific personnel funds**

The most controversial issue in the field of economic democratization was no doubt that of wage-earner funds. It had the potential to question prevailing beliefs and principles regarding the ownership of companies and capital, therefore changing the distribution of economic power. This was in fact the clearest occasion where economic democracy as a macro-level concept was channeled to a concrete policy proposal. After being mostly a distant ideal in party programs, economic democracy now had a manifestation, and it became more common to consider some type of a fund system even a necessity for democratization and redistribution of ownership. While focusing on this issue, the meaning of the concept of economic democracy became more fixed and ideas of other types of governmental steering of capital and investments were gradually left in the background in Finnish debate.

The initial wage-earner fund suggestion in Sweden by the central organization of trade unions, LO, and its economist Rudolf Meidner in 1976 was based on collective, national or regional trade-


26 We might debate whether different types of actual state interventions in economic and industrial policy could be considered manifestations of economic democracy. Surprisingly, however, they were not usually conceptualized as such by contemporaries.
union-managed funds which would collect excess profits from companies, invest them and in due
time give wage-earners considerable collective control over Swedish companies. The employer
organization SAF opposed the plan but drew up its own alternative with the main objective of
raising more investment capital for Swedish companies. However, with new leadership in 1978,
SAF shifted to a strategy of non-accommodation and began campaigning vigorously against any
type of wage-earner funds. LO and the social democrats modified the fund proposal plan to a more
moderate direction, but the issue was not made a significant theme in election campaigns. At the
same time tensions between LO, the social democratic party and the growing white-collar
organizations were increasing. When SAP returned to office in 1982 the funds were established as a
part of the pension system with strict investment restrictions and profit requirements, which stripped
the radical potential initially envisioned.27

In Finland the debate on wage-earner funds truly began only after the Cooperation Act had been
passed in 1978. The idea was adopted mostly from Sweden, and development in the neighboring
country and other West European countries was followed closely for example in labor movement
press.28 The distinction and connection between the concepts of economic and corporate democracy
again played a key role in left-wing rhetoric. The main criterion for both was more equal influence
in economic and corporate affairs. As SAK secretary Per-Erik Lundh put it, the cooperation act had
paved way for corporate democracy, and now was time to introduce also economic democracy:

“It has happened so that economic democracy has been pulled apart from the concept
of corporate democracy. If corporate democracy is to be developed into economic
democracy, it will require forming wage-earner funds of some type. Through the
funds employees would gain the possibility to influence the economic decision
making of companies.”29

In 1981, the social democratic party conference received a detailed report on the international
development regarding wage-earner funds. The conference’s domestic policy statement advocated
company-specific ‘cooperation funds’ instead of wage-earner funds. The proposal therefore
differentiated itself from the Swedish model especially in the crucial aspect of not suggesting

27 Ryner, Magnus: Capitalist restructuring, globalisation and the third way. Lessons from the Swedish model.
Routledge, London – New York, 2002, 138–147, 166–168; Blyth, Mark: Great Transformations. Economic Ideas and
– Kuruvilla, Sarosh: Swedish wage-earner funds: An experiment in economic democracy. Industrial and Labour
29 PT 12.11.1979, 3.
national or regional trade union governed funds. This strategy and replacement of the term wage-earner funds with a new one seems to have been a pragmatic choice by the social democrats. When the fund issue took wind in Finland, the Swedish reform initiatives had already been geared to a more moderate direction. LO’s initial proposal of wage-earner funds had faced such fierce opposition that Finnish social democrats and eventually also the trade union movement tried to maneuver the issue into a form which could at least be negotiated with the employers. According to Markku Mansner, SAK did not want to risk cooperation with the employer side, which was severely damaged in Sweden when SAF began to withdraw from collective bargaining and tripartite bodies during the 1980s. Tripartite cooperation was a significant way for SAK to exercise its power and it was not to be risked for short-term gains. The new stance on wage-earner funds was criticized within both SDP and SAK, but the party and trade union leaders advocated for a model that would have the potential of leading to an agreement with the employer side.

In the question of wage-earner funds, the objectives of economic efficiency and competitiveness were lifted beside equality and democracy as legitimation concepts, which was very common in social democratic and trade union rhetoric. Social democrats emphasized that the funds, which would be financed from profits, should be collectively owned by the employees and promote economic democracy and employee influence within the company. They were not to become tools of individual bonus payments which could increase inequality and undermine collective wage agreements. Competitiveness and especially the urgent need for investment financing were nevertheless central arguments in favor of the cooperation funds, as they were also for wage-earner funds in Sweden. In SDP’s rhetoric, these beliefs of efficiency were also deeply connected to the concepts of national interest and security of the employees.

"The lifeline of Finnish economy is competitive industry. Securing its position in the global market requires investments which increase efficiency. Job-creating investments and income formation can be promoted best when they correspond to the interests of all income-earner groups."

In this kind of rhetoric both the national interest and particular interests were present as legitimation concepts. The social democrats acknowledged that economic democracy had to promote not only

32 Domestic policy statement, SDP party conference 1981.
democracy and equality but also economic growth and the security of the employees. Growth was a crucial component of the national interest, whereas security rather represented a particular interest of the employees. These more concrete values were usually not very explicitly connected to the values of democracy and equality, and their mutual hierarchy was left unclear. Sometimes they were portrayed as goals in themselves, sometimes necessary preconditions for true democracy and welfare in the long run. However, democracy did not appear as intrinsically valuable in this kind of rhetoric, but rather as a means to achieve welfare and security.

**Democracy adapted to the needs of efficiency**

The employer and right-wing rhetoric on economic democratization retained its character in the 1980s and stressed economic efficiency as the key concept to which democracy was to be adapted. This led to a different conception on the criteria of economic and working life democracy, which was seen also in earlier debates. For the employer representatives, employee decision-making, control over corporate management and redistribution of ownership were not necessary criteria for democracy. Instead, they emphasized employees’ rights to participate and be informed on corporate matters. This had become the most common definition and usage for the concepts of economic and working life democracy in employer rhetoric already in earlier debates on democratization. The concepts of participation, cooperation and communication played an important role in defining the borders of desirable democratization, which was adapted to “economic facts”, efficiency and productivity. In this ideational constellation, individual employee participation was considered a source of productivity but the ideas of collective employee influence, representative practices and participation in top-level decision-making continued to be portrayed as bureaucratic and inflexible, therefore jeopardizing economic efficiency.  

An influential statement regarding future development of democratization was made already a little before the Cooperation Act’s ratification by Stig H. Hästö, the chairman of STK. In the 1978 spring conference of Teollisuuden Keskusliitto he seemed to speak with the voice of the entire industry. Hästö made the familiar point that economic democracy was desirable on the condition that it was defined properly and adapted to the Finnish circumstances. For him, there was only a difference in shade between redistribution of economic power and outright socialism, which was a strongly negative concept for the employers.

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33 This kind of ‘jeopardy thesis’ is one of the three reactionary argumentative strategies against reforms distinguished by Albert O. Hirschman. The other two ‘theses’ claim that reforms would be either futile or end up aggravating the state of affairs they seek to remedy, thus being ‘perverse’. See Hirschman, Albert O.: *The Rhetoric of Reaction. Perversity, Futility, Jeopardy*. Belknap Press of Harvard University Press, Cambridge, Massachussetts and London 1991, pp. 7–10.
"The industry should be ready to discuss such economic democracy which increases the personnel’s interest on economic life and the success of their own ‘house’. However, the industry opposes endeavors which don’t seek to promote economic development or motivation for work, but aim at transferring ownership and power from current owners to some other interest groups. (...) We can take a positive stance on the general objectives of generating savings, alleviating financing and improving motivation for work. In principle we don’t have strong objections even against extending stock ownership towards the company’s personnel. We are ready to contribute in a constructive spirit to finding a solution which is well suited to our circumstances.”

At this point the talk about economic democracy seems to have been based on the intention to express opinions and alternatives regarding wage-earner funds, the debate on which was now landing to Finland from Sweden. In December 1978, a working group of STK and TKL (Central organization of Finnish Industry) determined eight criteria that were to be taken into account when developing economic democracy, making up a very detailed delimitation for the desirable practical scope of the concept. First of the criteria was the one that had been central in the democratization debate all along: economic democracy should have a positive effect on motivation for work, productivity and/or make corporate finance easier. As was common, the employers believed that individual material incentives had the biggest impact on motivation, although they were only one of the many management methods that should be used. It was important that incentives depended on one’s own work result and that the employee understood this relation. If a nationwide system was to be adopted, profit bonuses could have been proportional to salary, which in turn should have been determined by the employee’s performance. Therefore the employer side’s conception of profit sharing and employee ownership did not draw on everyone’s equal right to have their share of the outcomes of their work, but it was made a tool of increasing efficiency. Of course the idea of performance-related pay and bonuses was in itself based on a certain conception of equity: the most productive workers should earn more money. The effects of economic democracy on productivity were considered easier to determine than those on motivation.

The second criterion was that economic democracy should secure capital formation in the whole national economy by at least retaining the prevailing savings rate. In addition, economic democracy

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was to support the functioning of the market mechanism and be based on private ownership and the personal input of participants. These criteria were considered necessary for motivation and productivity, and they denied the chance of collective ownership of trade unions and control of the strategic decisions of companies. Economic democracy was also to be voluntary and company-specific, which effectively ruled out the earlier mentioned possibility for a nationwide system. Fund accumulation was to be based primarily on salaries instead of profit sharing, and the system was to receive public support for example in the form of tax deductions. Finally, the system was to encourage entrepreneurship and the creation and growth of new business and employment. The criteria were considered mostly harmonious and in some cases mutually supporting, disregarding the demand for voluntariness which might not have been optimal with the objective of better capital formation in the whole national economy. However, the demand for voluntariness was more important, which meant that the system was to be made lucrative enough for most companies and their employees to participate voluntarily. STK and TKL believed that a simple model of stock saving might be the most viable solution, but they suspected that it would not be considered satisfactory if the debate turned to distribution of power in companies as a feature of economic democracy.36

Even though efficiency and competitiveness usually firmly occupied the top of the conceptual hierarchy like in the above examples, accusing the employers of sacrificing all other values in the altar of economic efficiency would be too hasty. If one looks at the employer rhetoric more broadly, their conceptual hierarchy was usually firmly aimed towards common good as the ultimate legitimation concept. However, the content of the common good was not portrayed as open or negotiable but as an objective fact with a very economic nature. As Pauli Kettunen and Risto Alapuro have argued, the objectivity of the common good seems to be a common belief in Finnish political – and especially employer – thought and rhetoric.37 National economic interest thus conceived meant especially the growth of the national economy, living standards and welfare. In the conceptual hierarchy supporting national interest, efficiency and competitiveness were therefore necessary factors in securing the ultimate goal, not ends in themselves.

It can be shown that this kind of conceptual hierarchy was not unique to the democratization debate but a fundamental part of employer rhetoric in general. STK consciously built its self-image around

36 Ibid.
the story of the Finnish welfare state and emphasized its role in promoting social reforms. In 1982 this idea was lifted into the title of STK’s 75th anniversary conference: “Profitable company – welfare of the society”. According to the organization’s historical interpretation “with the help of profitable companies we have been able to lift Finland from the underdeveloped country it was in the turn of the century among the world’s welfare states.” This shows that also the welfare state was already in the early 1980s conceived as a crucial component of the common good and therefore an important legitimation concept in Finland. Employer thought and rhetoric often placed employee participation and motivation for work in a hierarchical relation to serve the national mission of growing national economy and increasing welfare.

The viewpoints of Finnish business gained currency in the 1980s, when the economic crises and stagflation of the previous decade had undermined trust in expansive economic policy and a growing public sector. At the same time many countries experienced a growth of middle-class white collar population, which put left-wing parties and the labor movement in a new situation. Right-wing parties gained power and the political atmosphere seemed to change to a more employer and market-friendly direction in most western countries, which helped legitimizing globalization and deregulation of the economy and especially the finance sector. Finland was no exception to this development, which was partly facilitated by increased political activism of the employer side. In the early 1980s, reforms towards deregulation of the Finnish economy and privatization of the public sector were initiated, while preventing inflation and maintaining balanced budgets were the main goals of economic policy. This gave more credibility to the right-wing visions of economic democracy and undermined the definition of the concept as state-led economic planning and steering.

Also in the programs of bourgeois parties, democracy continued to be a central concept. In the early 1980s the National Coalition Party called for “deepening democracy” just like the left-wing parties, which meant that political and economic power would not be concentrated and that the

38 CEO Pentti Somerto once said that employer representatives had written about social questions even when the common man still “did not know the difference between socialism and social policy”. TV 5.3.1987, 5.
39 TV 25.2.1982 ”Työntäjä suomalaisessa yhteiskunnassa” [Employer in the Finnish society]
40 Sassoon, 445–455,731–735.
43 Conservative party turning more and more liberal. Roughly equivalent of Swedish Moderata samlingspartiet.
principles of democracy were applied also in business and working life. NCP still used the concept of “social choice economy”, emphasizing that the economy was to be regulated democratically and it should aim towards wider societal goals instead of constant economic growth. Better goals were “sufficient and sustainable material subsistence, living standards and quality of life for all citizens”. The party continued to link the concept of democracy to economic life via the term ‘working life democracy’, despite the gradual loss of the term’s popularity, but used ‘economic democracy’ more rarely. This marked a change from the party’s 1960s programs, which had equated the term economic democracy especially with ‘people’s capitalism’. The central idea of this individualistic approach, making all citizens shareholders in companies, was retained in the 1980s. Like the social democrats”, the National Coalition party advocated in its document “Political goals for the 1980s” for “significant” wage-earner influence in private companies and public agencies alike, especially in issues regarding personnel policy and working conditions.

As already seen, ‘concentration of power’, ‘centralization’ and ‘bureaucracy’ were strongly pejorative terms in the democratization rhetoric. They were used increasingly by all parties to denote competing ideas and practices that were said to violate personal autonomy, freedom and democracy. There was constant struggle over these terms and depending on the viewpoint, either trade unions and public ownership or free market and private ownership were said to represent bureaucracy and centralization. In the rhetoric of the National Coalition party, concentration of power was a term for condemning the trade union movement and its centralized, collective practices. NCP drew on the same ideas of local and participatory democracy as the social democrats by stating that employee influence was not to be collective like the left-wing visions had suggested. “The goal must be bringing decision-making power and responsibility as close to the employee as possible. Large bodies of corporate democracy, which easily become bureaucratic and alien to the concrete work situation, must be avoided.”

Interestingly the social democrats began moving closer to this individualistic approach during the

1980s. However, for the NCP individualism meant also that the practices of employee influence were to be designed according to the needs and preconditions of companies instead of enforcing the same model to all companies regardless of their size and field of business. This policy was in line with the increasing tendency of employer organizations to demand local agreements and flexibility instead of centralized agreements or legislation. In addition to the emphasis on individual, direct employee participation, the National Coalition party argued for employee representation in corporate governance and participation in corporate ownership, especially in its “Program for labor and trade union policy” of 1984. The NCP called employee representation “participation in profit-responsible activities”, which was a way to emphasize that the new rights of employees would entail also new duties. Flexibility and individualism were important values also in these applications of working life democracy, which otherwise were more controversial to the employer organizations.49

**Cooperation and participation instead of democracy**

Even though especially The National Coalition Party still treated the concepts of economic and working life democracy as something desirable, their use became rare in employer and right-wing rhetoric during the 1980s. Around the turn of the decade employer and right-wing statements on democratization seem to have become more reactionary. For example in September 1983, a survey among the managers of STK’s member companies revealed that they opposed collective agreements on economic democracy.50 Even though the managers may have supported democratization on a local level, this exemplifies a change compared to the 1970s, which included many attempts to reach a collective agreement on working life democratization. Democracy had been a difficult concept for the employers all along, probably due to its socialist connotations and strong links to the ideas of redistributing power and controlling managers. This can be seen in the occasional arguments claiming that democracy, especially representative democracy, was unsuitable for economic life and should remain a political practice.51

Letting go of the concept of democracy as applied to economic and working life – regardless of its indisputable force as a legitimation concept – makes it viable to assume that the employers’ strategy regarding economic and working life democracy was mostly reactionary to begin with. They perhaps adopted and sought to redefine the concepts of economic, corporate and workplace democracy primarily because the employees and left-wing parties advocated them so strongly and

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50 TV 1.9.1983, 3.
thereby condemned prevailing practices of the economy and working life as undemocratic. As their position strengthened from the late 1970s onwards, the employer side maybe did not consider the concepts of democratization as necessary in their own use. However, even though not anymore explicitly connected to democracy, the concepts and beliefs used by the employers in their earlier redefinitions retained their rhetorical and practical importance. During the 1980s, terms such as cooperation and employee participation were increasingly used in employer rhetoric and management theory in order to promote the ideals of more human-centered leadership and affirming the beliefs of working life as harmonious activity promoting the common good. These terms and concepts were earlier grouped under the category of working life democracy, but at this point working life reform and development became more common future-oriented umbrella concepts. In employer thought, the ideas of cooperation and participation therefore continued to provide a horizon of possibilities for improving efficiency and productivity by increasing the influence of employees in their own work.

Participation and cooperation had become key concepts in organization and management theories already during the 1960s and 1970s. This trend, which was part of a broader interest in the approaches of the “human relations school” of management, was evident in management literature as well as in the employer newspapers and magazines of the time.\(^{52}\) In Finland, the 1970s had already been named “the decade of human relations management” and marked the consolidation of HR as a standard corporate function, for example with the aid of vast amount of educational material published by STK.\(^{53}\) As all management approaches, employee participation and other human relations practices aimed at better efficiency and productivity in the work organization. As opposed to technical rationalization, which was thought to cause alienation and mental problems, this approach emphasized the importance, even the psychological necessity of influence and participation at the workplace. It was widely believed that contemporary workers, who were increasingly working in the service sector and knowledge-intensive professions, demanded more autonomy, participation and responsibility, especially in matters concerning their everyday work.\(^{54}\) A common belief, which made participation demands more pressing, was that measures increasing the motivation of the personnel were in fact the only significant way left for increasing productivity.


in a post-industrial world. Participation discourse was therefore connected to concepts such as structural change and industrial renewal, which signified the erosion of the old Fordist economic order and the need to invent new practices. Participation was important in old and new professions alike, as it could potentially increase the interest of young people in industrial work. Also the concepts of corporate and organizational culture became prominent around this time as means of improving competitiveness and coping with constant change. Considering employees a resource and allowing their participation in planning and executing new practices was central also to these approaches.

Experts from different fields such as sociology affirmed that fulfilling the needs for participation increased motivation for work and therefore productivity. The most important figures of this “new human relations school” were American scholars, such as Rensis Likert, Chris Argyris and Douglas McGregor, who were widely quoted also in Finland. Critical scholars have pointed out that these human relations theories mostly assumed the inherent functionality and common interests of work organizations instead of considering their potential structural conflicts. Luc Boltanski and Éve Chiapello have argued that new management and working life practices signified the adoption of the “artistic critique” of capitalism by the employers. The demands for autonomy and authenticity, which the new left had voiced already in the 1960s, were appropriated in the individualized practices of participation, which in the end merely substituted explicit managerial control of workers with new forms of self-control, without questioning the inherent logic and power structures of capitalist companies. New models of participation did not redistribute strategic power to the employees nor did they give them the power to control and supervise their managers, which had been core features of the leftist visions of working life democratization.

The employer desire for local and flexible participation was objectivized and given a scientific form in numerous management guidebooks and articles in the 1970s and 1980s. A good example is a series of articles published in the employer magazine Teollisuus (Industry) in 1978. They were written by Jorma Porko, who worked for the Union of forest industry employers. Porko affirmed the need for participation by referring to the ideas of psychologists and sociologists but made a distinction between “formal cooperation” and “improving work and its conditions”. The former

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56 TV 23.5.1985; TV 21.11.1985, 6–7;
58 Julkunen, 52–54.
included mandatory cooperation, the system of collective agreements and works councils, whereas the latter meant enriching and expanding work and increasing shop floor participation. The difference was that the impulse for formal procedures came outside the company but improving work was prompted by a need within the company. According to Porko, experience had shown that formal cooperation was not sufficient to satisfy the need for cooperation in companies.\(^{60}\) In successive articles he discussed some potential practices of increasing employee participation, such as self-managed working groups, “work design”, and project groups. The benefits of these practices included for example utilizing unused resources and the competence of the employees to increase efficiency. For example people actually operating machinery could participate in deciding new equipment acquisitions, because they might have more knowledge on it than their supervisors.\(^{61}\) Also many other articles affirmed the need for more individual approaches, participation “on the shop floor” or “in everyday work” instead of through “formal” and “bureaucratic” practices.\(^{62}\) Alongside participation, also practices such as bonus payments and better career opportunities were considered as significant motivational factors which should be given more attention in the near future.\(^{63}\)

Even though still used occasionally, it is clearly visible that the concepts of economic and working life democracy faded out from employer rhetoric in the 1980s. New practices of shop floor participation and cooperation, for example quality circles which were adopted from Japan, were introduced constantly to increase efficiency and work satisfaction, but they were rarely connected to the concept of democracy in books and articles.\(^{64}\) STK’s anniversary conference of 1982 demanded more flexibility in collective agreements and industrial peace, but did not include any explicit discussion on economic or working life democracy.\(^{65}\) In STK’s 80\(^{th}\) anniversary conference in 1987, on the other hand, one of the main themes was cooperation, which had become a standard substituting term for corporate democracy already before the 1978 Cooperation Act. In conference speeches and statements, cooperation was considered an important productivity factor: it increased motivation for work and gave employees better understanding and acceptance of the interests and


\(^{64}\) For example YT 3/1981, 17–27; YT 4/1981, 14–16; TV 18.3.1982, 4; TV6.10.1983, 6; however, sometimes quality circles were still referred to with the term corporate democracy, for example in TV 27.5.1982, 12.

\(^{65}\) Mansner 2005, 121–123.
objectives of their company. Cooperation and consciousness of the common good were believed to be indispensable in the era of structural change. Many managers speaking in the conference called for giving more information to the employees, participation in issues close to everyday work and introduction of practices such as quality circles, project groups and bonus payments.66

“Funds would not solve the real problems”
Even though many employer representatives and right-wing people were in the early 1980s still favorable towards certain forms of economic and working life democracy, at least cooperation and participation, they generally opposed wage-earner funds. As in Sweden, they strongly disliked the idea of changing ownership structures in companies and equated this with socialism. STK’s policy regarding wage-earner funds appealed to the right of private ownership by stating: “we do not negotiate on the ownership of our member companies”. However, in public debate employers rather appealed to the common good and economic efficiency which were in jeopardy, as well as to the potentially perverse effects of the funds. In the rhetoric of STK’s chairman Stig Hästö, motivation for work and efficiency were the most important objectives of economic democracy. In an interview with STK’s magazine Teollisuus he said that new solutions can be considered “if they serve the common good”. However, Hästö wondered why wage-earner funds, which would be distant for individual employees, had become the main solution in public debate. He criticized the idea of funds by using a variation of the Hirschmanian ‘perversity thesis’:

”Mr. Meidner’s constructions include the rather curious aspect that an individual wage-earner would not really gain anything, but the share taken from profits would be transferred to some collective fund outside the company. One can ask if this motivates the personnel of the company better than now.”67

In 1981 Max Jakobson, the CEO of employer think tank EVA, explicitly said that economic democracy would be inevitable if it meant increased employee participation in corporate decision-making. However, also he made it clear that Finnish business did not accept any wage-earner funds which would alter the power structures of society. Jakobson opposed collective funds by expressing the same jeopardy thesis many employers had expressed about too much employee influence: they could petrify the decision-making of companies.68 Thus the synonymous relation of (wrongly defined) economic democratization and inefficient bureaucracy retained its power in employer rhetoric.

66 For example TV 26.2.1987, 2, 12, 14.
68 PT 1.6.1981, 12.
The Swedish development on wage-earner funds was followed closely also in employer newspapers and magazines. In their rhetoric, Sweden was not an ideal society but a warning example of overstretched aspirations of trade union power, which had damaged labor market relations. The articles commonly utilized a jeopardy thesis by pointing out that Swedish employers believed the funds to make the country unattractive to foreign and private investments, which would be destructive to the economy and employment. They also referred to survey results showing that only a minority of the Swedish people supported wage-earner funds. Even though the employer organizations officially turned down the possibility of any funds whatsoever, the bourgeois parties were more positive towards certain options. Key words in their models were voluntariness and individualism. The National Coalition Party first suggested share issues to personnel and establishing company-specific funds where employees could acquire personal holdings. In 1986 party conference these company-specific, voluntary funds were named ‘personnel funds’, which later became also the official name of the new institution.

**Working life reform by the “blue and red” government**

In Finland’s 1987 parliamentary election working life reform, wage-earner funds and employee representation in corporate governance were important themes. All parties took a stance on these matters, which were also frequently taken up in the media. Economic democracy was a central election theme especially for the social democrats. Their campaign material utilized rhetoric familiar from the new platform, and their official electoral declaration was titled “From the power of capital to the power of labor”. The party called for extending economic democracy and civil rights in working life and put forward the slogan, “work grants the right to participate in decision-making within companies”.

The election marked an end for the NCP’s over 20-year period in opposition. The party was the main winner and gained 9 seats totaling 53 MP’s out of 200. Social Democrats lost 2.6 percentage points but only one seat and remained the biggest party in with 56 MP’s. After the election, President Mauno Koivisto prevented the formation of a secretly agreed bourgeois alliance between the National Coalition and Center parties, which was supported by influential businessmen. The Prime Minister’s post was given to Harri Holkeri, manager at Bank of Finland and former chairman of the NCP, who was willing to form an alliance with the Social Democrats. SDP thereby retained a

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70 The National Coalition Party’s program for employment and trade union policy, 1984.  
<http://www.fsd.uta.fi/pohtiva/ohjelmat/KOK/koktyoaypol1984>  
71 Uusi Suomi 17.11.1986  
72 E.g. HS 9–18.2.1987. File I.8, Participation systems committee archive, KA, Helsinki.  

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strong position and manned for example the ministries of finance, foreign affairs, justice and labor. The perspectives of two parties from different ends of the political spectrum were fused in the work of the new ‘blue-red’ coalition government. Its program included significant working life reforms, such as employee representation in corporate governance and increasing security of employment. The governmental program stated that “(t)he possibility of wage-earners to influence in changes in production, use of new technology, training, and working hours will be improved by renewing participation systems.” At this point, however, the use of terms economic or working life democracy had become very scarce in official rhetoric. Besides the language of the government, also state committees and their reports spoke mostly about “reforms”, “participation” and “cooperation”.

Scholars have debated whether the program of Holkeri’s government was neoliberal or not. Sami Outinen has emphasized that the government continued to curb inflation, deregulate the finance market and increase competitiveness and flexibility of the economic life. Ville Yliaska has pointed out the government’s transfer of resources from social services to subsidizing private business, especially in research and development. However, the program was a compromise between two coalition partners. The Social Democrats had much to say on its content, which is why working life reform was firmly on the agenda. Employer organizations, on the other hand, strongly opposed the government’s plans to strengthen security of employment, which caused tension with their most natural political partner National Coalition party. Prime Minister Holkeri used the metaphor of a guillotine, which would fall if the labour market parties would not reach an agreement on working life reform at a certain point. STK’s CEO Pentti Somerto called it unfortunate that the reform had been turned into a party-political issue. He expressed a fear that governmental intervention would jeopardize the credibility of the whole system of collective agreements and change labor market practices permanently.

76 Outinen, 194–198.
77 Yliaska, 230–238.
80 Ibid., 6; TV 3.12.1987, 17
As no agreement between the labour market parties was reached by the end of 1987, the government carried on with its initiatives. The working life reform included a revision of the Cooperation Act, which was set to improve security of employment. Among other things, it extended the minimum duration for negotiations on lay-offs to three months and set requirements to investigate options for employee relocation and training. The employer side argued that these laws made flexible and efficient management of companies impossible, as decisions on lay-offs could not be made quickly enough.\textsuperscript{81} After fierce debate, the law package was passed in the parliament in June 1988. Even though strengthening the protection of employees, the reform can be interpreted as a drift away from the concept of democratization: it established binding, general regulations but did not increase employee influence at workplaces. Even though the negotiations on collective lay-offs now lasted longer, the employer could still make the final decision.

During the term of Holkeri’s government, also completely new laws on employee representation in corporate governance and personnel funds were passed. Both practices had been considered applications of economic or working life democracy throughout the 1980s. However, legislation did not make these practices mandatory, but companies were free to decide on their implementation, although employee representation in governance was to be realized in all companies with at least 150 employees if the personnel so wished. This result was reached in 1990 through long negotiations between the labour market parties. The employee side ultimately had to let go of their demand for mandatory representation, and many left-wing politicians were displeased with the result.\textsuperscript{82} In the debate preceding legislation, the employee side had stuck to its old arguments of mandatory practices being too rigid and inefficient, and representation in general too detached from the everyday work of employees.\textsuperscript{83} After the ratification of the Employee Representation Act, STK’s newspaper \textit{Teollisuusviikko} considered it the most significant reform of employee participation since the cooperation act. It had especially the potential to increase the personnel’s commitment to common goals.\textsuperscript{84}

The law on personnel funds, in turn, was passed in 1989. It was largely based on a report by the Participation systems committee, whose task had been ”to examine the possibilities of new forms of cooperation in order to promote economic democracy and competitive production”.\textsuperscript{85} In the lines of

\textsuperscript{83} This was evident for example in the employee side’s statement on the committee report. Committee report 1987: 18, 165–169.
\textsuperscript{84} TV 21.9.1989 ”Hallintoedustus on merkittävä etappi”
\textsuperscript{85} Committee report 1987: 40, 1–2.
the ongoing structural change debate, the committee was supposed to consider especially the effects of technological change on employees and on the competitive situation of companies. Improved cooperation was required in order to adapt to this change, and also security of employment was to be strengthened.\(^{86}\) Although economic democracy was mentioned in the assignment – alongside the more central concept of competitiveness – the work of the committee exemplifies the same trend as the case of employee representation: the gradually waning significance of democracy in the rhetoric of working life reforms, which favored instead the concepts of participation and cooperation.

The committee’s report was titled “Productive participation in renewing working life”, which left the concept of participation clutched between the objective of productivity and the necessity of renewal. According to the committee, the phrasing was chosen to highlight that the proposals aimed at the success of both companies and individuals in changing circumstances. This can be interpreted as an intention of seeking impartiality regarding different objectives, which was a common pursuit in committee work. However, democracy was not mentioned as a component of this success, but productive participation was related to motivation and security.\(^{87}\) Economic democracy was mentioned only in the starting points of the report: the committee considered that employee participation in corporate decision-making means promoting economic democracy as such, which is why the concept was not defined further.\(^{88}\) This approach meant that the committee concentrated on the workplace-level of economic democracy. As already seen, this emphasis had become dominant in the 1980s when calls for economic planning and steering were fading out and it had become clear that collective wage-earner funds of the Swedish model would be out of the question. During committee work, different options of personnel or cooperation funds and profit-sharing schemes were mostly assessed in regard to their effects on economic efficiency and capital formation, not from the viewpoint of democratization. Other models besides company-specific funds were not even discussed by the committee, probably because they were already considered politically impossible.\(^{89}\) In the committee’s work, different types of individual and direct ‘participation schemes’, such as performance-related bonuses, became viable alternatives to collective funds. The former were considered to promote motivation for work better than distant funds of the Swedish type, especially in the context of the emerging information society.\(^{90}\)

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86 Committee report 1987: 40; PM. Appointment of the committee. Participation systems committee archive I.1, KA, Helsinki.
87 Committee report 1987: 40, I.
88 Committee report 1987: 40, 3.
89 E.g. appendices from committee meetings 2 and 19 December 1986 and 5 January 1987. Participation systems committee archive I.2, KA, Helsinki.
90 Yliaska, 222–225.
After internal disputes, where employer representatives got through some of their demands, the committee published its unanimous report. It suggested a new practice which adapted the idea of wage-earner funds to the employer claims for individualized practices: voluntary, company-specific personnel funds. They were to be financed from profits and grant employees individual shares which would be reimbursable after certain waiting period or in case of dismissal. The funds were to be able to make investments also in other companies and use their assets for collective purposes, such as education and social affairs. In addition to the funds, the committee proposed direct profit bonuses and share issues to the personnel. The committee considered its suggestions to increase economic democracy and competitiveness as was required in the original task. However, looking at the projected effects of the reforms, it seems that the effect on competitiveness was considered more significant. All the reforms were believed to improve the motivation of employees and the success of companies. As was common for the employer views on participation, an important aspect was increasing the employees’ awareness of the company’s interest and loyalty to it. The committee saw that successful structural change required that the personnel was actively involved or at least felt its position safe instead of opposing changes. This was also a reason for suggesting that every employee should be able to reimburse her share from the fund: that way the system would lead to “personal commitment to the employer company”. Personnel funds were also considered to have other benefits such as strengthening the finance structure of companies. Their democratic aspect was vaguely defined as the funds allowing the personnel to participate in decision-making “in a way which allows balancing power and responsibility”. They would enable altering ownership structures but not change the prevailing economic system.

STK and the bourgeois parties, on the other hand, considered the proposal very suitable to the challenges of the time, especially because of their voluntary and company-specific nature. These aspects and the report’s nature as a compromise were also widely acclaimed in the Finnish press. The employers were only somewhat critical towards the committee’s strong emphasis on personnel funds compared to direct bonuses. Teollisuusviikko assessed that the committee report might even be “the most important personnel policy guideline of this decade” and hoped that the issue would not be made political as “everyone agreed on the objective.” The employee side, on the other hand, was not pleased with the notions of profit bonuses and personnel funds. SAK considered that

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92 Committee report 1987: 40, 40.
93 Committee report 1987: 40, V.
95 File I.9, Media material. Participation systems committee archive, KA, Helsinki.
97 TV 4.2.1988 ”Suuntaa osallistumiselle” [Direction for participation]
they required thorough examination before implementation but was careful not to dismiss the suggestions right away. All wage-earner organizations insisted that the new practices should not undermine collective wage agreements. SAK chairman Pertti Viinanen assured that economic democracy and the true influence of employees would remain the guiding principles.98 The social democrats were more receptive to the committee’s ideas than the trade unions, probably because they wanted at least some kind of proposal to proceed with. SDP’s party council took a positive stance on the report and the social democratic newspaper stated that the committee’s suggestions should be considered without any prejudice.99 In 1988, in anticipation of the final law proposal, also SAK representatives adopted a more positive stance, according to which it was good to have a law enabling further development, even if it was only based on voluntariness and profit bonuses. It was better than letting the employers create the funds unilaterally. However, it was still essential that the funds did not undermine wage policy and that at least part of their assets would be collectively owned by the company’s personnel for education and social purposes. The last item, however, was at the risk of being dropped from the final law bill.100 It is clear that a pragmatic attitude was becoming all the more common within the Finnish left. As electoral support was becoming more precarious, reforms had to be conducted within limits acceptable to the bourgeois parties and the employers.

The Personnel Fund Act was ratified in June 1989. It was applied to companies with 30 or more employees but the company made the final decision of establishing the fund. The assets for the fund were collected from profit, but the company could choose whether it would use operating profit or another indicator. It was possible to determine that a certain part of the fund was reserved for collective purposes, such as training, but against the wish of the employee organizations this was not made mandatory.101 Many MP’s from all parties criticized the 10-year limit for withdrawing personal shares from personnel funds, but the parliament retained also this part unchanged. Especially the trade union movement believed that the shorter the holding period was, the bigger grew the risk of the funds becoming only a means of bonus payment which would undermine collective wage policy. This fear was not without grounds, as the reform was very far from the Swedish model and even further from Rudolf Meidner’s original fund proposal. In theory it gave

98 PT 7.12.1987, X.
the possibility to raise collectively owned capital and increase wage-earner ownership in private companies, but in practice this rarely happened. As *Teollisuusviikko* wrote, for the employers the system was primarily an additional means for employee remuneration, which did not immediately raise very much interest among either employers or employees.\textsuperscript{102}

**Conclusion: From market control to market adaptation**

During the 1980s, democracy gradually lost its force as a future-oriented concept especially in regard to the economy and working life. Instead of democratization, more general terms, such as working life reform or development and participation systems became common. The change happened first in employer rhetoric and then moved to the official language of the state, best exemplified in the program for working life reform of Holkeri’s government as well as the work of the Participation systems committee. The employer side’s initial preference of talking about reforms or renewal instead of democratization was perhaps due to the same reasons they preferred the term cooperation over corporate democracy: the former had weaker links to the concepts of redistributing power and democratic control over leaders. Cooperation meant especially communication and negotiation and allowed sharing operational power while still guarding strategic power and managerial hierarchies. Another significant change is visible in the object of economic democratization. The focus shifted from macro to micro: reforming working life by increasing employee participation retained its place as a political and managerial objective, but the economy as a whole lost its role as an object of democratization and public control – instead it was deregulated and made more flexible. In the early 1990s these changes were already visible also in left-wing rhetoric: for example in SDP’s and SAK’s congresses and programs of 1990 and 1991 economic and working life democracy were mentioned only a couple of times, even though employee influence at workplaces was still demanded and democracy in general retained its position as a core concept.\textsuperscript{103} However, no new committees or legislation related to economic or working life democracy – or even employee participation – has been initiated in Finland since the voluntary laws on personnel funds and employee representation in corporate governance were passed.

Large scale movement in the ideational constellations around economic and working life democracy was undoubtedly due to the major change in political thought and practice, which has been given many names such as neo-liberalization, the new spirit of capitalism and the birth of the competition state.\textsuperscript{104} The global trend of economic deregulation was an antithesis to the ideas of public control

\textsuperscript{102} TV 23.11.1989, 9.
\textsuperscript{103} SDP party conference 1990; SAK congress 1991. SAK archive 331.88 CA69.
\textsuperscript{104} Harvey 2005; Peck 2010; Boltanski–Chiapello 2006.
and economic planning, which had been key components for the concept of economic democracy in the leftist visions of the 1960s and 1970s. In the deregulation and privatization boom of the 1980s, ideational and rhetorical constellations were imported from business to politics and public services. The vocabulary of competition and efficiency gained ever stronger position in political language and programs. The concept of competitiveness extended its range of reference to completely new areas, such as science, education and taxation. The metaphors of markets and customers were increasingly applied to public services, which were reformed to function like private business. Often these changes were not portrayed as political choices but natural and inevitable reforms on the road towards a better and more developed society, just like democratization had been 20 years earlier. However, changes in ideas and policies were not caused by impersonal and inevitable forces of the global economy and technological change. Instead, they were brought about by clear shifts in political thinking and power relations since the early 1970s, which interpreted economic and social circumstances in a new way, leading to intentional action that changed capitalism and its regulation. These changing beliefs and practices are important factors in explaining the changing fate of the concepts of economic and working life democracy.

Close to the end of the 1980s, as market deregulation had already become common sense and the socialist bloc started to dissolve, concepts and beliefs with close links to socialism and planned economy were being pushed aside from their central positions in the ideational constellations of political actors from left to right. The state’s task shifted from controlling and regulating the economy to adapting to the requirements of the market and transnational investors. In this situation, neither the left nor the right chose to make radical redefinitions of the concepts of economic democracy, but rather discarded them altogether. For the right, it did not seem necessary to argue that free markets and decreased state intervention were democratic by nature. This was either due to their assumed intrinsic and evident relation to democracy or due to their de facto incompatibility with some basic tenets of democracy, such as the accountability of leaders to the people. The left, in turn, was struggling to modify its traditional ideational constellations to fit the new globalized


106 According to a recurring neo-liberal belief, there are no asymmetric power relations in the market. A logical conclusion would thus be that markets either are democratic or do not need democracy, because there is no power to redistribute. However, even though it is possible to conceptualize the market as a democratic arena by defining the free consumer or the homo economicus as the highest democratic subject, this was done surprisingly seldom in Finnish discourse. Instead, the economy was defined as a domain of necessities rather than liberties, which meant it was to be governed by experts instead of the people.
world of free capital flows and collapsing real socialism, often ending up being more of an advocate than a critic of the new global capitalism.\textsuperscript{107}

In Finland and Sweden, an unprecedented economic crisis further narrowed down the perceived possibilities of economic policymaking in the beginning of the 1990s. The crisis made it ever more credible to appeal to external economic necessities and impose neoliberal austerity measures. At this point it had already become common sense to call for cuts in government spending and too large public sector. Many even portrayed the too large public sector as a cause of the crisis, even though it started off as a private sector debt and banking crisis fueled partly by financial deregulation.\textsuperscript{108} Critical scholars have examined the Finnish crisis rhetoric of the 1990s as an example of governance through depoliticization of the economy, which narrowed the scope of democracy in the name of the national interest.\textsuperscript{109}

It seems plausible that the disappearance of economic democracy from political rhetoric was not a result of conscious decisions but rather an unintentional by-product of broader ideational and linguistic change. At the same time, also many other traditional social democratic and socialist beliefs, concepts and rhetorical figures, including the concept of socialism itself, were practically discarded or at least radically redefined. However, discarding the concept of economic democracy does not seem a logically necessary part of this process. It of course had its ‘historical baggage’ in the form of conceptual proximity to socialism, planned economy and collective ownership, but one could still imagine new usages and ideational content to it, which could draw on neo-leftist and even neo-liberal webs of concepts and beliefs. Therefore it seems entirely possible that economic and working life democracy can make their way back to mainstream public and political discourse from their current use in academic and activist circles. Re-politicizing the economy would be a viable way of contesting the dominant Western conception of democracy as liberal parliamentary democracy, which calls for pluralism of options in many areas but not very much in regard to its own meaning and application.

