

Towards a Nordic competition state? Politico-economic transformation of statehood in Finland, 1965–2005

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We live in an era of rapid transformation of the European states, which are taking new forms rather than disappearing or being hollowed out. This transformation inescapably touches upon the question of the interaction between a state and its territory. Since there is a growing need to conceptualize this change in statehood from a historical perspective on various margins of Europe, this paper aims at providing a context-sensitive theorization of the gradual transformation of the spatiality of the Keynesian welfare state in Finland. The arguments presented are authenticated by reference to documents on Finnish public investment policy as evidence of the changes in state strategies from the 1960s onwards. The paper concludes that the change from “regimes of security political survival” to “regimes of survival in international economic competition” has inevitably influenced the relationship between the Finnish state and its territory. It also suggests, however, that inertia caused by the embedded spatial culture of the welfare state has hindered the development of a truly international competition state characterized by economic efficiency rather than territorial and social equalization. We therefore conceptualize the contemporary condition of Finnish statehood as spatially promiscuous, in that the Finnish state is becoming an increasingly complex combination of the marketplace model (the glocal state) and one nation politics (territorial integrity).

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Introduction

“The other side of globalization has again spoken: a Finnish enterprise has been forced to discover that its competitiveness does not meet up to international standards. Our national election campaign cannot ignore the debate on competitiveness ... We know the disease, we know the medication for it. Why is the patient [the state] refusing to take this medication?”

– Antti Herlin, Chairman of the Confederation of Finnish Industries, in the leading Finnish newspaper after the sudden announcement by the Nokia subcontractor Perlos that an industrial plant in Joensuu was to be closed down (22.1.2007)

The “molecular processes of capital flow”, capital moving left, right and centre, and everywhere,

build new geographical spaces and concentrations within states (Harvey 2003). Globally, there has been a notable rise of regional and within-country differentiation over the past thirty years (see Agnew 2005). In addition to the increasing inequality within states, Neil Brenner (2004b) goes on to propose that the nationally scaled configurations of politico-economic organization upon which industrial growth and the Keynesian welfare states were grounded until the late 1970s have now been significantly rearticulated and re-organized in Western Europe and beyond. This suggests that there has been a fundamental shift from the cohesion policies of the welfare state to the competition and growth policies of the re-worked state. In such a conceptualization, the national territorial states, being both facilitators and mediators of

capitalist globalization, have been rescaled and reterritorialized as part of global restructuring and increasing economic competition between places.

The discourse of international competitiveness and competition, an integral part of the contemporary political condition, has clearly necessitated the formation of specific state configurations, and some of these have been carefully examined from a spatial perspective. Most empirical studies touching upon the rise of competition states, the urbanization of neoliberalism, the re-scaling of statehood, or changing city/state relations, for example, have nevertheless focused on the core areas of Europe, so that its geographical margins have remained relatively untouched areas of research. As the change in statehood inescapably plays out in a historically constituted social setting based on specific modes of conceiving space, the transformation of the "Nordic welfare state" provides a useful context for studying the ways in which the processes and strategies of re-scaling take shape at different speeds, include place-specific strategies, surface in different spatial forms and evoke different responses in different places. We should thus view the state as being constantly transformed and reconstituted through institutional practices that are necessarily place-particular (cf. Lynn 1999: 825).

State intervention has traditionally been crucial in forming the geographical basis for social equality in the Nordic welfare states. It was in these environments that significant state regulation was combined with capitalist imperatives during the Cold War epoch and created specific politico-economic practices. During the past twenty years, however, the Finnish state, as one representative of the Nordic model, has been in the process of undergoing a steady and somewhat hidden transformation instigated by diverse transnational actors such as the EU, the G8 group, the World Bank, the International Monetary Fund, the World Economic Forum, the WTO, the OECD and representatives of the transnational business elite. New forms of economic governance which give markets priority over the state are thus under construction in Finland. A number of scholars have argued that both the practices of the state and the frameworks through which its role is understood have changed considerably over the past twenty years (e.g. Heiskala 2006; Patomäki 2007). The outcomes of these changes surface relatively slowly, however, and are therefore still relatively unclear. In any case, it

is notable that within-country differentiation has significantly increased in Finland over the past thirty years and that the pace of this differentiation has accelerated significantly during the past fifteen years (Table 1).

Even though the Finnish state has been under considerable transnational pressure, and even though differentiation has increased, the global practices of state restructuring have not substantially replaced the politico-economic configurations of the welfare state which originated from the late 1960s. In other words, the change in statehood has been greatly encumbered by historically constructed, persistent state infrastructures, political cultures and institutional practices. This suggests that while some social systems typical of the 1970s and 1980s have now been significantly destabilized in Finland, they have not simply been superseded by new ones. As Meric S. Gertler (2003: 135) aptly puts it, "current decisions are not determined by past ones, but they are conditioned by them". This is also the case with the restructuring of the Finnish state, in which inherited formations have remained important. In other words, the spatiality of the welfare state is embodied in material objects such as the physical infrastructure and in the habits of the people, not to mention the social institutions which structure and shape the attitudes, expectations and practices of both individuals and their political representatives.

The social dimension of this path dependence was highly visible in the 2007 national parliamentary election campaign, for example, where the globalization rhetoric of change was strangely associated with the political articulation of one nation and welfare spatiality, even among those who had been most wholeheartedly involved in instigating the notable re-working of the state. This leads us to believe that the process of state transformation is not easily traceable to the political argumentation or campaigning of the political parties, where the notions of an indivisible nation, social equality and equal treatment of the whole territory are still of high value as political arguments among actors who seek to persuade the people to support their politics. The transformation of the state must thus be found by examining other sources.

The familiar political rhetoric of one nation and one territory typical of national political campaigning indicates in the Finnish context that transnational time has encountered a national space of inertia, the historically embedded spatial culture.

Table 1. Finnish regional dynamics, 1975–2005. Gross value added is presented at basic prices in million Euros (current prices). The economic dependency ratio represents the ratio of the economically dependent part of the population to the productive part. The table reveals a significant differentiation between the richest and poorest regions of the country over the past thirty years. Source: Statistics Finland 2007.

Region	Transactions	1975	1980	1985	1990	1995	2000	2005
Uusimaa	Gross value added, basic prices	4316	7622	14,468	23,504	26,188	41,080	48,541
	GDP per capita	4778	8255	15,064	23,527	24,460	36,012	40,943
	Population	997,755	1,033,030	1,090,599	1,147,173	1,224,206	1,304,595	1,359,150
	Economic dependency ratio	0.8	0.9	0.7	0.6	1.1	0.8	0.8
	Employment	540,397	551,441	651,725	695,815	584,592	713,075	737,941
South-West Finland	Gross value added, basic prices	1482	2436	4387	6631	7202	9535	11,424
	GDP per capita	3974	6564	11,740	17,608	18,626	24,097	28,474
	Population	402,199	406,360	415,899	425,282	435,119	447,103	455,584
	Economic dependency ratio	1.0	1.0	1.0	1.0	1.4	1.3	1.2
	Employment	204,025	199,423	206,244	211,061	182,975	197,813	205,925
Tampere region	Gross value added, basic prices	1388	2460	4016	6090	6724	9247	11,835
	GDP per capita	3742	6706	10,888	16,418	17,607	23,574	29,135
	Population	407,303	409,321	417,635	425,808	436,162	448,997	467,313
	Economic dependency ratio	1.0	1.0	1.1	1.1	1.6	1.4	1.2
	Employment	206,052	201,674	200,804	200,529	169,938	190,927	209,909
Northern Ostrobothnia	Gross value added, basic prices	999	1711	2834	4673	5185	7025	8897
	GDP per capita	3585	6024	9648	15,668	16,621	22,055	27,103
	Population	306,943	317,646	332,853	342,948	356,647	365,358	378,006
	Economic dependency ratio	1.2	1.2	1.3	1.2	1.8	1.5	1.4
	Employment	137,326	142,522	144,744	152,907	125,456	148,384	158,865
North Karelia	Gross value added, basic prices	504	933	1502	2133	2141	2789	3210
	GDP per capita	3166	5990	9755	14,153	14,045	18,954	22,399
	Population	177,089	176,650	177,567	176,836	177,271	171,609	168,322
	Economic dependency ratio	1.3	1.2	1.2	1.3	1.9	1.7	1.5
	Employment	78,090	79,667	80,740	75,640	61,112	63,991	66,523
Kainuu	Gross value added, basic prices	292	522	804	1176	1275	1300	1466
	GDP per capita	3367	6030	9417	14,314	15,636	16,865	20,156
	Population	97,957	99,247	99,288	96,957	95,201	89,777	85,303
	Economic dependency ratio	1.1	1.1	1.1	1.2	1.8	1.6	1.5
	Employment	46,855	47,526	47,570	44,812	34,137	34,138	34,134
Northern Savo	Gross value added, basic prices	726	1372	2222	3404	3525	4279	5087
	GDP per capita	3159	6066	9844	15,304	15,640	19,514	23,697
	Population	252,668	253,913	257,894	258,633	260,085	253,759	250,064
	Economic dependency ratio	1.3	1.2	1.2	1.3	1.8	1.7	1.5
	Employment	107,885	114,523	114,952	113,935	91,430	96,003	101,247
Lapland	Gross value added, basic prices	595	1143	1822	2700	3079	3611	3846
	GDP per capita	3427	6709	10,544	15,876	17,830	21,890	24,266
	Population	195,757	194,890	200,943	200,674	201,411	191,768	185,800
	Economic dependency ratio	1.2	1.1	1.2	1.2	1.8	1.7	1.5
	Employment	87,312	93,157	91,179	91,993	70,831	71,854	75,205

In order to understand this embeddedness, the construction of the Finnish welfare state must be placed in a historical perspective. We claim that this process of construction was inherently spatial in nature and closely connected with the notions of strategy, security, a coherent nation and societal order. It does not come as a revelation that the re-working of the Finnish state touches especially upon state/space interaction and that the politics of one nation are inextricably entangled with that interaction.

Recent developments of the kind usually designated as globalization have been particularly challenging for this geographically remote, export-oriented, sparsely populated and culturally relatively isolated state with no major natural resources such as oil or gas and with internal markets that were opened to international competition less than two decades ago. The challenge posed by global restructuring grows even wider when we consider the fact that there are no prominent metropolitan regions within Finland, let alone any deeply rooted metropolitan cultural tradition or metropolitan governance with strong internationalizing tendencies. In short, the Finnish state faces the transnational pressure of "competitiveness" in a truly peculiar manner.

Our aim in this paper is to engage with the aforementioned tension by elucidating the transformation of state/space interactions from the mid-1960s up to the present time. More precisely, we focus on the interaction between the state apparatus and state space over the past decades as this is articulated in various sources. We focus especially on the annual national budgets, which are inextricably connected with, and indeed constitutive of, the territorial processes of the state. We argue that the state strategies which unfold in the national budgets blur the distinction between domestic and international politics and are therefore an important focus of attention for politico-economic research. We pose two questions which need to be answered:

1. What are the key dimensions of the changing state strategies from the mid-1960s up to the present time?
2. To what extent do any changes in the Finnish state strategies reflect changing state/space relations more generally?

The general idea behind these questions is that state governance can itself be conceived of as a problem-solving activity, a form of crisis management that is closely connected with territorial

practices. When using the concept of state strategy we are referring to the attempts by the state to mould the geographies of economic development, material and immaterial investments and political struggle into a particular "spatial fix" and are therefore seeking to highlight the plasticity of state territoriality. For this formulation we rely on Neil Brenner, who argues that specific state strategies "always emerge as attempts to impose particular forms of socio-economic intervention" and that these strategies lead to spatially selective hegemonic projects. He also goes on to suggest that these spatial strategies are not only articulated in "official" regional policies, but rather the state's spatial strategies which attempt to influence the geography of social and economic relations are articulated through a number of policy instruments such as housing policies, general social policies, urban policies, infrastructure investments and economic development initiatives (Brenner 2004b: 91, 93).

We treat state annual budgets as political texts which not only disclose the changing spatial strategies of the state but also tell us much about the changing notion of statehood. We look on the changing state strategies found in the research material as providing answers to the questions which are understood as central governmental problems at a given time. In the empirical part of this paper we study in particular whether the strategies of the state are mainly inward-looking (based on a national scale) or outward-looking (beyond the national scale). Secondly, we seek to study whether these strategies are based on an attempt to create territorial cohesion or more on policies which lead towards spatial differentiation and specialization. In short, we seek to investigate the current politico-economic processes which potentially challenge the historically constructed spatial configurations of the Finnish state.

Our paper proceeds through four sections. This introduction is followed by a section which reviews the recent literature touching upon the transformation of statehood under the influence of globalization. Several concepts are introduced through which we are able to approach the changing interaction between the Finnish state and territory. We especially draw on Neil Brenner's insightful studies on the changing spatiality of states in the contemporary environment of globalization. In section three we illustrate our theoretical elaboration by taking the public investments records and the argumentation behind the official state budgets

from the mid-1960s onwards as our primary sources. The reasons for selecting such material are twofold. Firstly, we sought to find a longitudinal yet qualitative set of research data through which it would be possible to trace the historical change in state practices. Our assumption was that it is especially in the practices of state governance that various phenomena such as globalization are put into practice. We therefore claim that globalization is by and large “internalized” in state practices: it is shaped by and through local conditions and domestic political objectives (Cerny et al. 2005). Secondly, state budgets were selected because they presumably contain explicit and widely shared politico-economic articulations of the state strategies prevailing at a given time. We thus believe that the material selected here felicitously discloses the historical changes in Finnish statehood from the 1960s onwards. We further assume that the material nicely uncovers the changing rationales – certain meanings which are normalized and accepted as truths – behind the historical evolution of state/territory interaction. The concluding section discusses the regime of accumulation currently under construction and the somewhat unclear role of territory within it. Finally, we introduce some research themes which merit scholarly attention as the Finnish state adjusts to the intensifying effects of capitalist globalization.

Changing state spaces

The influence of the state on the trajectory of human lives is perhaps more comprehensive and sustained than that of any other organizational construct. The key constituents of the state – population, governmental institutions and territory – are not only material phenomena but exist through practices. This suggests that even though the territorial shape of the state remains seemingly unchanging, the link between a state and its territory is not a static phenomenon. From a historical viewpoint, states are not fixed in a rigid spatiality, since the interaction between a state and its territory is under constant change. Even though the consolidation of power on the scale of the state, with its tendency towards territorial integrity, has probably been the most important development within the modern era, the history of the state has not ended.

The Weberian definition of the state emphasizes the coercive dimension of power. Max Weber sug-

gested that the state is a “human community which (successfully) lays claim to the *monopoly of legitimate physical violence* within a certain territory” (Weber 1919/1994: 310–311). In such a view, the link between territory and the state apparatus seems unproblematic: there are no modern states without territory and state institutions. However, even though the modern state system developed hand in hand with the emerging capitalist world economy, and even though the notion of sovereignty based on the legitimate use of violence within a given territory seems to characterize the very basis of all states, it is difficult to give a universal definition of the state. States are manifestations of place-specific cultural, economic, political, social and military processes, compartments of space which vary in time and space in terms of functions, forms and essence. Also, it is impossible to find any universal definition of the ethic of the state; it should rather be regarded as the bearer and creator of its own ethic (Schmitt 1999: 196). We therefore treat the state in this paper as constantly “becoming” something, a conceptualization which refers to the contingency and place-specificity of regional practices (Pred 1986).

The state as an equalizing entity: the spatiality of the Keynesian welfare state

Among the most innovative contributions to the multidisciplinary debate on state transformation that has evolved in recent years among geographers, sociologists and political scientists are the very useful review of the existing literature on the state by Bob Jessop (1990), Philip Cerny's (1990) structuralist explication of the changing forms of the state, Jamie Peck's (2001) analysis of the restructuring of the welfare state, and Jessop's (2002) evaluation of the current re-working of the capitalist state. One of the key ideas in this debate is that a significant sociospatial restructuring of the state has taken place from the late 1970s onwards. This transformation is usually conceptualized as a change from Fordist-Keynesian welfare states to competition states characterized by a neoliberal economic ideology.

Neil Brenner (2004b: 30), in his useful research agenda for approaching the changing spatiality of the state in the context of global politico-economic restructuring, maintains that capitalism is currently experiencing the transcendence of the nationalized sociospatial arrangements of the welfare state. He therefore points to a need to study the

production of new sociospatial configurations that cannot be cast on the basis of purely nationally scaled models. The contention is that the geographies of state space are being transformed on various scales under the influence of contemporary capitalist development. Behind this form of argumentation lies the assumption that all sociospatial configurations are temporary in a capitalist economy which seeks to expand and which has notable crisis tendencies. The processes of capitalist expansion therefore include a continual restructuring in which social relations and physical infrastructures are incessantly being created, destroyed and reconstructed, thus continuously forming and re-forming geographical landscapes (Harvey 1982).

The Keynesian welfare state was one of the historical landscapes of capitalist development, possessing infrastructures for industrial production, transport and communications. These landscapes developed from the 1930s onwards, aiming at an equal distribution of inhabitants, industry and infrastructure on a national scale (Brenner 2003: 198). Jessop (2002: 55–65) argues that it was the Keynesian national welfare state which ensured the particular phase of capitalist production known as Fordism. In the process of building the Keynesian welfare state, national states therefore promoted economic development by enhancing the distribution of population, industry and infrastructural investments evenly across the national territory (Brenner 2004a: 479). The reason why the state was called Keynesian is that it not only aimed at securing full employment in a relatively closed national economy but also tried to do so through demand-side management. In this capacity, the Keynesian welfare state deployed a variety of spatial policies designed to influence the spatial division of capital investments in order to govern and manage the process of uneven development within its territory. As such, states operated as major forms of territorialization for capital (Brenner 1998a: 465), so that it was very common to channel large public infrastructural investments into the less-developed regions. In Finland, for example, this development was based on an emerging ideology that major income transfers would accelerate economic growth (see Kuusi 1961). The Keynesian states introduced a range of spatial policies with the aim of reducing national regional inequalities and promoting industrial growth and economic renewal with various forms of financial aid, location incentives and transfer payments (Brenner

2004a: 460). In many cases the national state adopted the role of an infrastructural constructor by participating substantially in the building of transportation networks, educational structures, housing facilities and utilities supplies, for example (Brenner 1998a: 474).

The national scale was the principal one in the Keynesian state through which the political and economic processes generated and regulated by the government took shape, and this gradually became the principal scale of state operations in Finland from the late 1950s onwards, aided by the new state planning authorities, which started to treat the state space as a single entity. In general, industrial decentralization, urban deconcentration and spatial equalization were nationally oriented projects throughout the Fordist–Keynesian period (Brenner 2004a: 460–479). Industrialization of the urban centres was seen to create economic growth and well-being across the national state by reducing uneven geographical development (Brenner 1998b: 17–18).

Besides forms of direct state intervention, it was common for welfare states to operate with indirect forms of territorial intervention. These were firstly the reproduction of labour power operating through redistributive social welfare policies, secondly industrial relocation through subsidies and tax concessions, and thirdly the promotion of public expenditure in policy areas such as education, transportation and planning. These actions were justified with arguments such as balanced national development and spatial equalization (Brenner 1998b: 15, 2004a: 460–462).

The neoliberal competition state and the re-scaling of state spaces

The intensive debate on the future of the state has perhaps been one of the major constituents of the discourse of globalization: whether the state is in retreat, being “hollowed out”, or merely been reshaped in order to maintain its power and authority better (Keating 2001: 372). What seems central to this debate is that the capacities of the state are being reorganized functionally and territorially on supranational, national and regional levels. As Jamie Peck (2001: 447) reminds us, it is not analytically fruitful to ask whether the national state has somehow become less powerful in the global neoliberal era. It is more relevant to ask how it has become powerful in a different way. In other words, states continue to act as central players

within the era of globalization even though their form and essence are changing. It is therefore crucial to understand the suggestion made by Martin Jones and Rhys Jones (2004: 410–411) that we should focus on the ways in which states continue to act, albeit in a modified manner, during an epoch in which their ideological power is being qualitatively re-engineered.

There has clearly been a partial loss of sovereignty on the part of national states as decision-making power has been transferred upwards to supranational bodies overlapping with regional levels of territorial organization (Brenner 1998b: 3; Heeg & Oßenbrügge 2002: 81). This reorganization of political and social life does not mean, however, that the notion of territory has become meaningless, in spite of the fact that control over networks – of finance, information, raw material flows and cyberspace – is perhaps becoming increasingly important at the expense of physical territorial space (see Biersteker 2002: 165). Even if globalization becomes the focus of attention at the expense of the state, the question of territory and reterritorialization will remain of paramount importance, as it will become crucial to investigate how the logic of territoriality is being both played out and challenged in the age of globalization (cf. Elden 2005: 9).

The IR scholars Charles W. Kegley and Gregory A. Raymond (2002: 157), for example, suggest that globalization produces a complex network of exchanges which are not solely organized according to any territorial principles typical of modern states. As such, their claim represents the literature which sees globalization as severely undermining territory, a view which is directly connected with the modern state. We are nevertheless inclined to conceptualize globalization as an inherently spatial phenomenon which neither makes space meaningless nor destroys all the territorial processes of the modern state. Hobson and Ramesh (2002: 8–9) suggest succinctly that states are neither hollowed out by globalization (as passive victims) nor autonomous agents which shape it. Instead states and globalization are mutually reflexive and co-constitutive of each other. They also come up with the idea that states are “spatially promiscuous”, in that while they cannot physically move across territory they have a specific ability to dip into the global realm in order to adapt or mitigate the perceived domestic, regional or global political problems. Partly following this logic, we regard globalization not as a new reality or an ac-

tor which forces states and people into new roles, i.e. a replacement for states, but rather as a question of their destabilization and reorientation (Agnew 2007). We therefore treat globalization as a powerful discourse that articulates a specific type of relationship between national and international politics and between national and international economics. In such a view, the globalization imperative has been nationally constituted out of particular political ambitions and social practices (Gibson-Graham 2003: 104).

The Keynesian welfare state faced increasing pressure from the 1970s onwards, a crisis that was emerging in the well-developed capitalist economies alongside the crisis affecting Fordism and the internationalization of economic relations (cf. Brenner et al. 2003: 4). The extensive state intervention of the Keynesian period came to be challenged, and it was now the state which was seen as a principal factor in the initiation of the massive malaise afflicting the neoliberal economies: economic stagnation, unemployment and inflation. The need for a radical reduction in public expenditure and the transition from the Keynesian welfare state towards more competitive markets are said to have emerged as means of resolving the economic crisis (cf. Brenner 2000: 327). Brenner (2004a: 468) thus suggests that the crisis of the Fordist paradigm in the 1980s began to lead both to a new phase of change in industrial structure and to a spatial restructuring of the national state. This change was also coupled with the significant development of information technologies.

Philip Cerny (1990: 205–231) invented the concept of the competition state to illustrate how the forms of state economic policies were changing in an attempt to respond to and achieve better control over the increasing international interpenetration. He went on to claim that the promotion of international competitiveness had been adopted as the key objective of national state intervention so that it had even come to challenge “national security” as the primary concern of state governments. As Tore Fougner (2006: 165) suggests, international competitiveness has been constituted both as a central objective in relation to which most state policies should be considered and as a central means of resolving most of the problems that confront the state. It must be pointed out, however, that international competitiveness, understood here as a central governmental problem, has led to different solutions in different places over the past three decades.

Even though there is no single universal model for a competition state, it seems common within this development that state governments have not only started to act more and more often as market players, shaping their policies to maximize the returns from market forces in an international environment, but they have also started to create policies which aim at improving the climate for both national and multinational business (Cerny 1990: 230). The international competitiveness of the state was mainly understood in the Keynesian era as the capacity of “national firms” (often industries owned by the state) to compete with foreign companies in an international environment with the help of state governance. In the era of the competition state it is the states which are competing against each other to attract international enterprises by attempting through various policies to create attractive “investment landscapes” for international capital. International competitiveness has therefore become a governmental problem, in the form of “the capacity of a state to compete with other states for shares of so-called footloose investment capital” (Fougner 2006: 175). In such a development states can easily adopt a somewhat naturalized attitude towards markets.

Since the crisis of Keynesian accumulation regimes based on state regulation and state planning that took place in Western Europe in the 1970s, the global market system has become increasingly neoliberalized (Brenner & Theodore 2002: 342). John Agnew (2005) conceptualizes this development as a spread of the American marketplace society: the spread of market practices and values instigated by transnational forces which aim to bring places, including states, into the markets.

It is now commonplace to connect the change in state territoriality with the expansion of this neoliberal economic ideology, arguably one of the key constituents of contemporary capitalist globalization. David Harvey (2005: 65) gives a very solid definition of the neoliberal state:

Sectors formerly run or regulated by the state must be turned over to the private sphere and be deregulated (freed from any state interference). Competition – between individuals, between firms, between territorial entities (cities, regions, nations, regional groupings) – is held to be a primary virtue. The ground-rules for market competition must be properly observed, of course. In situations where such rules are not clearly laid out or where property rights are hard to define, the state must use its power to impose or invent market systems. Privatization and deregulation combined with competition, it is claimed, eliminate bureaucrat-

ic red tape, increase efficiency and productivity, improve quality, and reduce costs, both directly to the consumer through cheaper commodities and services and indirectly through reduction of the tax burden.

Competition state policies often follow the neoliberal political imagination, which promotes free markets (liberalization), opposes state intervention or direct control by the state (deregulation), aims to sell off the state-controlled parts of the public sector (privatization), requires the public sector to operate on a commercial basis, stimulates the pursuit of market forces (internationalization) and supports high-income earners by creating opportunities for entrepreneurial activity (individualization) (Brenner & Theodore 2002; Jones et al. 2004: 68). The primary function of the neoliberal competition state is thus to act as an enabler and facilitator. In other words, an entrepreneurial-like policy is adopted in state governance. The idea is now to enhance the spontaneous development of regions with new means of financing (cf. Hudson et al. 1997: 371; Heeg & Oßenbrügge 2002: 83). In a world where competitive edge is increasingly valued, national states allocate “state-financed capital” to enhance their potential instead of acting strictly to guarantee the services of the welfare state through high state expenditure. In such a context, local governments, with the help of public-private partnerships, seek to attract entrepreneurs to their regions through investments in public facilities, infrastructure and services, thus influencing the operational preconditions for companies (Eberts 1990: 15; Hudson et al. 1997: 367–369).

It is important to notice that the neoliberalising state is persistently seeking out forms of internal reorganization, both spatial and institutional, that might improve its position in the economic competition with other states in the global market. The Keynesian welfare state was less concerned with international competitiveness and the creation of an attractive investment landscape for footloose capital, as it assumed a relatively closed national economy, whereas the Schumpeterian understanding of competition typical of neoliberal competition states argues that international competitiveness depends on developing the individual and collective capacities which extend the narrow national economy. In other words, these capacities are seen as crucial in the international competition between nations, regions and cities. It is therefore typical of competition states that public resources

are increasingly allocated to the promotion of (technological) innovations that are conceived of as increasing the pace of economic growth (cf. Jesop 2002: 121–122).

Suffice it to point out that capitalist globalization, the neoliberalization of states outlined above and the spatial transformation of states are closely intertwined. This is precisely the reason why the neoliberal economic ideology has arguably led to a re-scaling of the European states (see Brenner 1999; Brenner & Theodore 2002). In other words, the state space is now being re-differentiated and re-scaled to correspond to the imprint of the location preferences of international foot-loose capital within each national territory. The importance of sub-state regions has increased significantly in the policies of competition states, as the current discourses of competitiveness seem to emphasize the importance of regions as “players” in this global competition (cf. Agnew 2000: 103).

In Western Europe it is especially the large-scale metropolitan regions that are nowadays viewed as embodying the most important institutional and political arenas in which the re-scaling of statehood is being forged and new economic growth policies initiated (Brenner 2004b: 50–60). That is to say, the transformation of the state has been about the reorientation of state institutions and policies towards subnational regions. In other words, new urban competition policies have been launched all over Europe in order to incorporate new competitive spaces (large city regions) into the conceived spaces of competition (the competition between the US, Europe and Asia). In this process the territorial economy of the state is being challenged by a city-centred economy driven by the main urban conglomerates. Thus, if the spatiality of the Keynesian welfare state was characterized by a somewhat even territorialization of capital, the rescaled state institutions (metropolitan governance etc.) currently represent what may be called a re-territorialization of capital. In the processes of re-scaling, states are thus acting as important agents for regionalizing economic development capacity to cities, city-regions and industrial regions and in marketing these areas and locations globally (Brenner 1998a: 465, 2006: 263). In Europe, the re-scaling of the state is therefore closely associated with an intensifying interspatial competition within which regions are forced to compete to attract foreign direct investments, EU funds and state subsidies.

Changing state strategies, 1965–2005

The interaction between the state and territory is in the process of constant transition. Governments use different measures to affect the relationship between the state and its territory at different times, and the institutional structures of the state, such as its legislation, are assuming crucial importance in the process of expanding the state power within its confines. State may use public infrastructural investments such as the construction of roads, railways, airports, seaports and telecommunications systems to intensify state/territory relations. These physical and social infrastructures can thus be seen as capital goods for which users do not pay a market price (cf. Rietveld 1989: 256). As such, public investments in social infrastructure such as education belong to these measures through which the state seeks to stretch itself throughout its territory. It is self-evident today that states should provide the basic infrastructure without which capitalist exchange could not operate (cf. Dicken 2003: 131).

From a spatial point of view, we may consider public investments from two perspectives. It has been common to examine the impacts of public investments on economic growth within a particular state. In such a view, the public infrastructure can be understood as a factor influencing the location of private investments. The provision of a basic infrastructure in a certain region can thus be argued to lead to an increase in the productivity of private production factors (Rietveld 1989: 255–272). It has been common in economic geography to study the role and impacts of public investments in affecting regional divergence (Costa-i-Font & Rodriguez-Oreggia 2005: 310). In such a view, the domestic infrastructure is a factor explaining industrial relocation (Gramlich 1994: 349). Public infrastructure may have a role in attracting industries from other regions in a context where there are negative effects of industrial concentration in the place of departure (Costa-i-Font & Rodriguez-Oreggia 2005: 310), while Haughwouth (1999), for his part, has studied the impact of state infrastructure growth on the interstate distribution of economic activity.

We regard state investments in this paper as instruments which tell us something crucial about the changing interaction between a state and its territory. We argue that public investments serve well to characterize changes in the spatial strategies of the state as these are employed in different

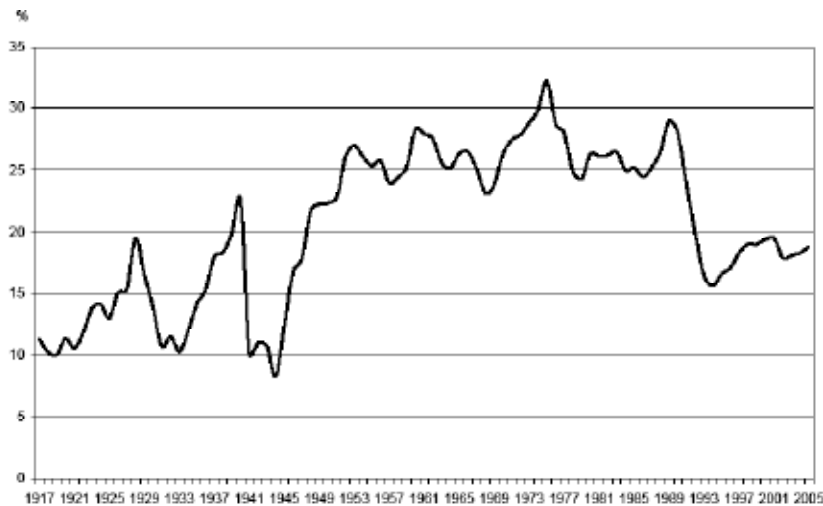


Fig. 1. The investment rate (gross fixed capital formation / GDP) from 1917 to 2005 indicates that there have been three “investment eras” in the history of Finland since gaining independence: 1) c. 1917–1939, 2) c. 1944–1989 and 3) 1990–. Source: Statistics Finland 2006.

historical contexts. In other words, public investments are practices which always reflect their time. In the ensuing pages the general justification sections of the state budgets of Finland from 1965 to 2005 will be used to disclose the changing strategies of the state apparatus as it has sought to manage and steer politico-economic practices. We have chosen the year 1965 as the initial point given the fact that Finnish regional policy legislation, which aimed at launching a massive state intervention throughout the territory, dates back to 1966.

As indicated in Fig. 1, investments (including both public and private investments) have fluctuated significantly in the history of Finland, and these fluctuations reflect the changing state strategies that we go on to introduce in the following pages. Roughly speaking, three investment eras can be distinguished. The first was before the Second World War, when Finland was mainly an agricultural society and the investment rate fluctuated between approximately 10% and 20%. Investments tripled from the early 1920s to the late 1930s, even though the recession in the early 1930s was a crisis which caused a significant reduction in state investments (Hjerpe 1988: 124).

World War II was an interruption during which investments dropped significantly, and the second investment era began shortly after the end of the war and continued until the late 1980s. The investment rate rose gradually over this period from approximately 10% to over 33%. The development

that took place from the 1960s onwards therefore exemplifies the more general trend in Western Europe that had already begun in the 1930s, when states began to interfere directly in the actions of society through subsidies, income transfers, grants, loans, tax advantages, public investments and the state ownership of production facilities. In the Finnish context, the latter half of the second investment period is usually considered to mark the creation of the welfare state, thus being characterized by a record of significant public investment in both material and non-material sectors. The severe recession which took place in the early 1990s was coupled with a considerable decline in public investments, to be followed by the third “investment era”, which began in the early 1990s and has continued up to the present time. Central to this period is not only that a significant decline in the rate of public investment (to c. 10%), but also a significant increase in the proportion of non-material investments by the state at the expense of material ones.

We will now turn our attention into the changing strategies of the state as these are presented in the annual budgets. We will seek to identify the basic dimensions of these changing strategies with respect to three issues: general investment policies, education policies and regional policies. The reason for making such a distinction is that the spatiality of the state is not moulded only in the context of “official” regional policies but also, and perhaps even more so, in the context of general economic and social policies.

Looking inward: territorial equalization in the 1960s and 1970s

Centralized state planning was launched in Finland in the mid-1950s, but it was only in the mid-1960s that the rationale which considered the state to be an indivisible entity could be said to have been in operation in full swing. From that time onwards the state took a decisive role in strengthening and supporting the diffusion of settlement and economic activities into the peripheral areas, with the help of public investments aimed at homogenizing spatial economic development in a manner typical of an equalizing state. The laws and decisions enacted in order to establish an integrated nation caused a considerable growth in state expenditure (*Hallituksen esitys...* 1964).

The state made a forceful expansion into its territories in the 1960s and 1970s, and had already started to construct territorial equality and unified welfare systems during the first of these decades (*Tulo- ja menoarvioesitys...* 1967). The same phenomenon continued throughout the 1970s. In general, the state's distribution of its centralizing power throughout its territory was a crucial strategy in the 1960s and 1970s, and perhaps surprisingly, included plans to transfer tasks and authority from the central administration to the regional and local level in view of a perceived need to relocate offices and institutions outside the Helsinki region (*Tulo- ja menoarvioesitys...* 1974). The argumentation of harmonious and equal territorial development of one nation was highly visible in the state budgets of the early 1970s, coupled with the need to create a well-balanced regional structure with full employment (see *Tulo- ja menoarvioesitys...* 1968, 1974). Far-reaching measures to construct an integrated and well-balanced nation-state based on both regional and social equality were thus highlighted at that time (*Tulo- ja menoarvioesitys...* 1974). In sum, the politics of one nation included a wide range of practices such as development of the educational system and the construction of basic infrastructure throughout the territory. These actions were coupled with the promotion of industrial production and the construction of further transport infrastructure.

The development of vocational education and extension of the higher education system played an important role in the budget argumentation of the 1960s. There was an awareness of the need to develop an educational system which would overcome both regional differences and differences

between the social classes. As far as basic education was concerned, the network of schools expanded significantly and the preparation of a state-wide comprehensive school system started in 1964. A law on the development of the higher education system over the period 1967–1981 was enacted in 1966, and new universities were established in the development regions. In order to fulfil the requirements of equal opportunities to study, the government developed a system of study grants in the late 1960s, and this was coupled with the launching of the *State Study Grants Centre* in 1969. Further work on developing the grant system continued in the 1970s and was presented as one of the key state strategies in the national budgets (*Tulo- ja menoarvioesitys...* 1967, 1968, 1970, 1972, 1974).

The argument based on the need to develop the education system further persisted throughout the 1970s, and the focus of state strategies in the early years of the decade in particular was clearly on providing and guaranteeing equal study opportunities on a regional basis. Implementation of the comprehensive school system began in northern Finland in 1972, the specific aim of this system as explained in the budget documents being to reduce differences between the core areas and the more peripheral parts of the country. All in all, the state increased education opportunities in the development areas at all educational levels from the mid-1960s onwards (*Tulo- ja menoarvioesitys...* 1970, 1972, 1974). As articulated in the state budget for 1973, "In order to equalize the persisting regional differences in vocational education, it is hoped to increase educational opportunities in the development areas by directing a considerable proportion of the student places to these regions" (*Tulo- ja menoarvioesitys...* 1972: 16). The state budgets of the 1960s and 1970s also indicate that the expansion of the entire education system to cover the whole country was considered to be of the utmost importance. Given the crucial importance of the education system in the national context, the creation of a unified educational system can be said to be inherently intertwined with an attempt to create societal order throughout the territory.

In addition to active education policies, the government began to implement an active public investment policy from the late 1960s onwards. This included large public investments in welfare infrastructures such as local hospitals, office buildings and transportation which increased the visi-

bility of the state in peoples' everyday lives. The construction of transportation infrastructure continued throughout the 1970s with the electrification of the rail network, road investments and automation of the telecommunications network. Particularly the transport investments must be seen as crucial attempts to connect the geographical peripheries under the direct influence of the central government. Even though investments in infrastructure were not a focal point of the state budgets in the 1970s (contrary to the 1960s, when industrial investments required massive public financing), they nevertheless remained central to them. Investments in the state-owned *Post and Telecommunications of Finland* were already being legitimized in the early 1970s by emphasizing the significance of economic growth especially in less developed areas (*Tulo- ja menoarvioesitys...* 1970, 1972, 1974; *Valtion tulo- ja menoarvioesitys...* 1976, 1978). In general, extensive public investments and financing were argued to be the key means of promoting balanced regional development and social cohesion. The mining industry in northern Finland, for example, together with geological research in those areas, was strongly supported in the state strategies. In other words, the territory of the state was regarded as a fundamental economic and social resource, a type of spatial capital. As a result, industrial and power plants, mines and forest industries were established in less developed areas, largely with public investments. In addition to these investments in infrastructure, large forest improvement strategies were emphasised in the state budgets (*Tulo- ja menoarvioesitys...* 1967).

State ownership was the backbone of the welfare state strategies, which aimed not only to improve economic growth but also to foster national integrity. The budgets in the 1960s and 1970s highlighted close linkages between employment, societal order and public investments. In the 1970s, when the argumentation legitimizing large public investments was notably blatant, state strategies were often justified with a reference to poor employment conditions. In fact, in the mid-1970s, when the number of unemployed exceeded 100,000, President Urho Kekkonen declared a state of national emergency. As late as 1979, the state budget proposal (*Valtion tulo- ja menoarvioesitys...* 1978: 13) still clearly revealed a classical Keynesian tone: "weaknesses in domestic investment and consumer demand have been the reason for the high unemployment".

It was argued in the 1960s and 1970s that unemployment was the major threat to societal order and economic growth, and the ability of public investments to smooth over the cyclic variations in employment was often highlighted in state strategies from the mid-1960s up to the mid-1980s (*Halituksen esitys...* 1964; *Tulo- ja menoarvioesitys...* 1967, 1968, 1970; *Valtion tulo- ja menoarvioesitys...* 1976, 1978). Public investments were especially directed to areas which suffered from unemployment (*Tulo- ja menoarvioesitys...* 1974). In addition to employment, public investments were also seen as measures designed to avoid production shortages. In 1975, for example, the government argued that "economic policy has especially been directed towards supporting investments in industry in order to create additional export capacity for the needs of the new economic boom" (*Tulo- ja menoarvioesitys...* 1974: 9). Arguments also emerged for a need to increase production capacity because of the rapid growth of exports to the Soviet Union. Interestingly, the justifications for public investments gradually altered from employment aspects towards the management of production.

The aforementioned educational and investment policies were both remarkably inward-looking in the 1960s and 1970s, and the same applies to the regional policies, which paid special attention to the welfare conditions and economic growth in the less developed areas. Concepts such as "development regions" and "balanced regional development" were notably visible in the state budgets of the latter half of the 1970s (*Tulo- ja menoarvioesitys...* 1974; *Valtion tulo- ja menoarvioesitys...* 1978). Various measures and actions took place in the less developed areas in the 1970s to balance out the developing territorial differences. The specific objective was to use public funding to promote entrepreneurship that would later operate in a financially independent manner. One of the most important actions in the 1970s was the establishment of *Kehitysaluerahasto Oy*, an organization which started to finance small and medium-sized enterprises in the development areas. The external development potential of companies in the development areas in particular was subsidized through state funds (*Tulo- ja menoarvioesitys...* 1970), and financial subsidies were also allocated directly to the promotion of industry. Especially the mining industry, power production, electrification, the construction of hydroelectric power plants, ore prospecting and geological exploration

tions in the development areas were supported by the state (*Valtion tulo- ja menoarvioesitys...* 1976, 1978). In other words, rational state planning, the material infrastructure, natural resources and an attempt to foster economic growth formed a single entity.

Education, investments and regional policies in the 1960s and 1970s revealed a strong need to raise the development regions to the same level as the rest of the country. The “policies of one nation”, an attempt to construct a coherent national state with well-balanced economic development throughout its territory coupled with the objective of attaining territorial control both vertically and horizontally, were strategically pursued through education, investments and regional development policies. These interlinked policies were based on an understanding that the state territory was the key constituent of societal order as well as a strategic asset for increasing economic prosperity. These policies also clearly reveal that the state strategies in the 1960s and 1970s were mainly inward-looking and based on equalizing principles.

The understanding of national competitiveness in the state budgets changed remarkably from the 1970s to the late 1990s. Despite the inward-looking state strategies, the concept of competitiveness had already emerged in the budgets by the early 1970s, but it referred specifically to a need to develop national competitiveness through active labour and education policies. State investments in education were therefore seen as a crucial prerequisite for gaining competitive advantages in international trade. The term competitiveness therefore referred at first mainly to the price competitiveness of the state owned industries (*Tulo- ja menoarvioesitys...* 1970). Some initiatives for launching research and development projects were already being made in the late 1970s, but this form of reasoning remained marginal to the state strategies until 1990s.

In the 1970s the concept of national competitiveness was inextricably connected with the promotion of industrial structure and employment (*Valtion tulo- ja menoarvioesitys...* 1978). In this form, the rhetoric of “being competitive” was highly visible in the state budgets of the late 1970s (*Valtion tulo- ja menoarvioesitys...* 1976, 1978). It is also important to note that the concept of national competitiveness in the 1960s and 1970s was inherently spatial in nature, as it referred especially to balanced economic and regional development.

Understanding the territorialization of state power: inward-looking and equalizing state strategies at a time of internal and external pressures

The history of Finland is often conceptualized as a continuing attempt to survive on a turbulent world political map (see Jakobson 2006). We argue that from the early 1950s up to the late 1980s the logic of survival especially revolved around the issue of securing the territorial state, its membership of the non-communist camp and its political institutions. These formed the basis of state sovereignty from the early 1950s to the late 1980s. We thus go on to propose that power politics in Finland had a major impact on the ways in which governments understood the relations between territory, population, security and societal order.

Keijo Korhonen, one of the key political figures in Finland during the Cold War period, stressed in 1969 that “The foreign policy of every country is a result of both external and internal circumstances, of both existing conditions and the political will” (Korhonen 1969: 31). In a similar vein, we may understand the interaction between the Finnish state and its territory in the 1960s and 1970s as a result of both internal and external circumstances, of both existing conditions and the political will. In other words, the state space at that time was a manifestation of changing political contexts in which global economic ideologies mattered as well as power politics.

The “central political problem for the government” which developed in Finland from the 1950s onwards included two inherently intertwined issues: national integrity and economic growth, i.e. it was inherently tied up with security policy concerns. It was in this political context that the idea that the state had the ultimate responsibility to create territorial and social integrity began to develop. This goal was inextricably conditioned by both internal and external pressures, which were connected with the more or less undisputed ideological goal of the leading political groupings. The Social Democrats, Conservatives and Agrarian Party all shared the view that Finnish society should belong ideologically to the non-communist camp. Externally, therefore, the rising industrial and military power of the Soviet Union operated arguably as a significant stimulus for developing national integrity.

In the late 1960s President Urho Kekkonen pointed to a need to create a “uniform pattern of

behaviour for the Finnish nation" (Jakobson 2003: 16). Even though personal contributions should not be over-estimated in the context of historical development, neither should the actions of powerful individuals be under-estimated. As far as the expansion of the power of the Finnish state from the 1960s onwards is concerned, the efforts made by Urho Kekkonen should especially be taken into account. As Prime Minister in the early 1950s, Kekkonen had already sought to launch a political programme which epitomizes the later Keynesian territorial policies of the state. In his important political pamphlet *Does our country have enough presence of mind to become prosperous?* Kekkonen (1952) not only required that the government should take an active role in enhancing regional development, but he also argued that strong state regulation should exist throughout the country. Kekkonen thus demanded active state participation in the development of the peripheral areas. His idea was that the national state should operate as the key initiator of development, given the lack of private sector investments in the peripheral regions. He therefore introduced a major investment and financing programme especially to promote industrialization in northern Finland:

The special conditions with regard to industrialization in northern Finland, the scarcity of capital and the tendency for private entrepreneurship to support the southern part of the country in particular mean that we cannot construct industry in northern Finland – at least not as quickly as the benefits of our national economy demand. If the mission is to be carried out as it has to be, other measures have to be found. The only useful means is that the state should use public investments in northern Finland to build up its heavy industry (Kekkonen 1952: 118).

In order to make the investment programme possible, Kekkonen (1952) claimed that the income level of the people should not increase notably in the short term. All these radical political openings were legitimized by reference to the challenges posed by both foreign political and domestic pressures which threatened the societal order within the confines of the state. Kekkonen thus conceived the creation of an integrated nation as a means to secure this sovereign political unit in the era of both internal and external uncertainty. As such, the central governmental problem was inherently connected with the strength of a collective body. The increasing power of the centralizing state was considered crucial to providing a territorial basis for social equality and social order. All

these actions were clearly aimed at transforming the state into a powerful locale, an unquestionable framework for societal interaction.

The politics of one nation were pursued through various processes aimed at producing a regionally and socially homogenized state space. Internally, it was the danger of political and social unrest posed by the communists and socialists that was seen to require state interference. In terminology of Taylor (2006), the creation of territorial integrity from the 1960s onwards was inextricably connected with guardian practices which were aimed at controlling social relations within the state. The national territory was thus clearly understood as a seat of power and a fundamental resource for securing a sovereign state. The state became an inward-looking, equalizing unit which operated through the creation of both spatial and social capital. In short, the Finnish state and its territory began to interact in such a way that they became mutually constitutive (cf. Lefebvre 2003: 87). The state constructed what Carl Schmitt (2003: 67–79) calls *nomos*: the measure by which the land in a particular order is divided and situated and the form of social and political order determined by this process. Moreover, the internal and external pressures led to the development of what Michael Mann (1984) calls the state's infrastructural power across its territory: the state possessed infrastructures that penetrated universally throughout the civil society.

From the 1950s onwards, economic growth, industrialization and social equalization were conceived of as fundamental prerequisites for containing the communist ideology within the state. Indeed, social scientists tailored theories according to which Finnish communism was a "spatial disease" which was located not only in the poor neighbourhoods of the major urban centres but especially in the vast peripheries within which the power of the state was poorly developed (cf. Koikkalainen 2004). The government thus began in the 1960s to create industrial environments in the less developed areas. In general, the development of the state's infrastructural power included massive investments in the material infrastructure of the peripheries, significant transfer payments to the less developed areas, development of the social security system and the construction of a unified education system and a nation-wide university network. The principle of equal rights to services across the territory of the state was at the core of the development of the infrastructural power. The

state, therefore, took the key sectors of the economy such as health care and education out of the market on the grounds that access to basic human needs should not be determined by market forces. As the state budgets clearly disclose, the state sought to foster not only its visibility but also the national consciousness through these interventions which entailed expansions in public expenditure.

From the 1960s onwards welfare state policies started to colonize the everyday life of the Finns through bureaucratization and discourses of state planning and surveillance (cf. Lefebvre 1991). As such, a unique expansion of state infrastructural power across its spaces took place through state regulation, which, it was argued, would increase economic efficiency. The government therefore accepted that the state should focus on full employment, economic growth and the welfare of its citizens, and if necessary intervene in or replace market processes in order to achieve these ends. The expansion of the state's infrastructural power was further "bolted to the ground" by the regional political legislation, which was aimed at producing societal trust among the different social classes across the regions.

Looking inwards and outwards: state strategies in the 1980s

Development of the welfare state in Finland reached its culmination in the 1980s, as education, investment and regional policies gradually

took on new forms (*Valtion tulo- ja menoarvioesitys...* 1980, 1982), so that investments in social capital, know-how and education increased in state budgets in the early part of the decade and investments in research and innovation towards the end. It was now argued that national competitiveness could be constructed and maintained through research, product development and the promotion of the exports (*Valtion tulo- ja menoarvioesitys...* 1982). The state budget for 1987, for example, emphasizes that "the enhancement of the professional skills of personnel and their motivation towards their work are the factors on which real competitiveness is ultimately based" (*Valtion tulo- ja menoarvioesitys...* 1986: 9). The budgets therefore started to highlight the importance of research in promoting the competitiveness of domestic production. For the first time the universities were explicitly linked to the concept of economic competitiveness, although regional stability in higher education was still highly valued in the state strategies (*Valtion tulo- ja menoarvioesitys...* 1980, 1988).

The increasing importance of non-material investments, especially in the form of research and development, indicated a significant change in strategy in the late 1980s. In fact, investments in research and development increased significantly from the 1980s onwards, with the aim of reaching an "international level" (Fig. 2). State subsidies were allocated to the development of new applied technology, product development and production

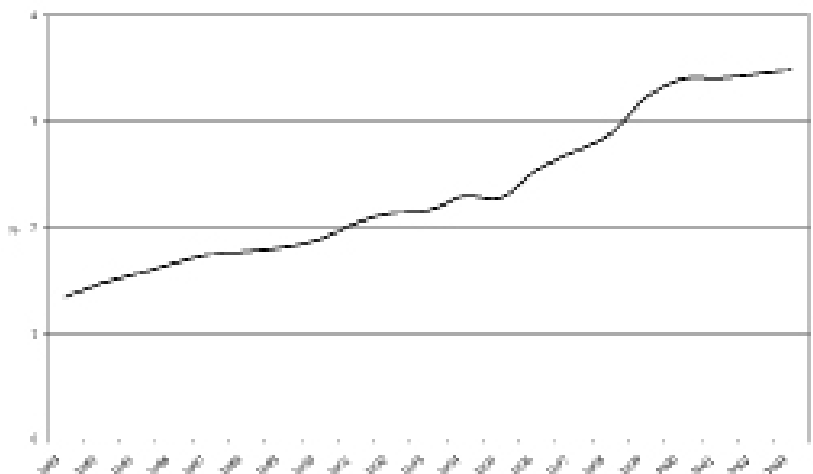


Fig. 2. Gross domestic expenditure on R&D as a percentage of GDP from 1983 to 2003. The figure discloses a significant increase in R&D investments. Source: OECD 2005.

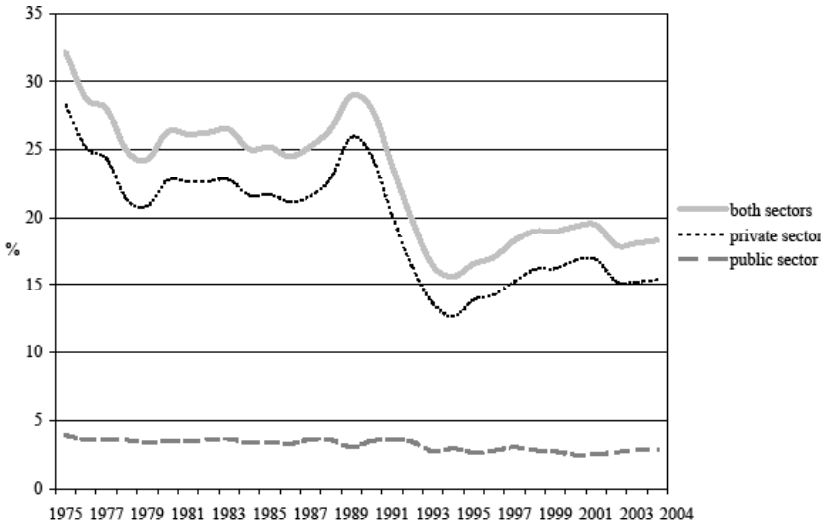


Fig. 3. Rates of investment in the public and private sectors from 1975 to 2004. Source: Statistics Finland 2007.

systems (*Valtion tulo- ja menoarvioesitys...* 1980), and it was now conceived that regional policy funding for entrepreneurship would improve the country's long-term competitiveness (*Valtion tulo- ja menoarvioesitys...* 1982, 1988). As a result, public funding was increasingly being diverted away from direct investment assistance and towards research and development subsidies (*Valtion tulo- ja menoarvioesitys...* 1984, 1986) (Fig. 3). It is important to note that regional access to research activity was also taken into consideration, and growth in the research sector was channelled outside the Helsinki region (*Valtion tulo- ja menoarvioesitys...* 1986).

Where the construction of the welfare state, especially in the 1970s, had taken place with the help of large public infrastructure and service investments, these basic infrastructure investments had mainly been completed by the early 1980s. It is also important to note that the possibility of using state investments for achieving permanent improvements in the employment situation was questioned for the first time in the state budgets of the early 1980s (*Valtion tulo- ja menoarvioesitys...* 1980, 1982). This criticism took place in a situation in which political interventions by the state had started to be perceived as economically harmful rather than advantageous. It was in this context that the justifications for the use of public investments changed from the improvement of employment to the creation of competitiveness. In 1981, for example, the government emphasized that a

rapid and balanced expansion in investment was necessary for regeneration of the production structure and the competitiveness of production. The government also went on, however, to stress that great variations in investment activity could potentially lead to unstable economic development, which would weaken the possibilities for creating favourable preconditions for sustainable economic growth (*Valtion tulo- ja menoarvioesitys...* 1980).

Where the state-owned companies were heavily subsidized in the 1960s and 1970s, a change in thinking with regard to their productivity of the state-owned companies took place in the early 1980s. It was now argued that state-owned industries should operate as real enterprises with the objective of making an economic profit (*Valtion tulo- ja menoarvioesitys...* 1982, 1986). We consider this as the first step towards the gradual privatization of the state-owned industries that took place especially in the 1990s. Moreover, this new principle indicates that the notion of competitiveness was becoming a more central part of government strategy. It was now argued that it was necessary to allocate funds to fields that had the prerequisites to survive in the face of international competition without continuous public sector investments. It must be noted, too, that this policy was launched even though the unemployment rate was high and there were shortages in the supply of skilled labour, in southern Finland, especially in the growing branches of industry and in the serv-

ice sector (see *Valtion tulo- ja menoarvioesitys...* 1984, 1986, 1988).

A distinct need to renew regional policies emerged in the late 1980s in response to increasing regional differentiation. This was argued in the state budget of 1989 with reference to changes in economic structures: "the structural change in industry and the growth in service sector together with the increasing importance of knowledge and research investments in fostering international economic activity have given rise to a need to intensify regional policy measures" (*Valtion tulo- ja menoarvioesitys...* 1988: 32). Regional policies were gradually reformulated, with a new emphasis on industrial restructuring and service sector growth, and the increasing importance of knowledge and research investments also surfaced in their reformulation in the late 1980s. It is also striking to note that the idea of internationalization was for the first time added to the previously inward-looking and equalizing regional policies of the mid-1980s. This internationalization was closely connected with the need to increase regional competitiveness through know-how and research activity (*Valtion tulo- ja menoarvioesitys...* 1988).

Regional policy reform was articulated especially with reference to competitiveness. The decline in economic competitiveness was characterized as a threat that would jeopardize not only economic development and employment but also the growth of foreign trade (*Valtion tulo- ja menoarvioesitys...* 1986). For the first time regional policies were explicitly connected with the improvement of living conditions in the Helsinki region. Moreover, the balance between economic growth and the autonomous development of the regions surfaced as an important issue in the state budgets. Indeed, these new regional policy principles opened up room for decentralizing spatial development. The development activities mentioned in the state strategies began to concentrate especially on southern Finland. As a consequence, the role of the development areas in the state budgets diminished in the course of the 1980s (*Valtion tulo- ja menoarvioesitys...* 1984, 1986, 1988).

Economic competitiveness gained in importance in the state strategies at the expense of employment which had characterized the period from the 1960s up to the late 1970s. This transformation can be taken as an indication of a gradual change from Keynesian strategies towards Schumpeterian competition strategies. The absolute necessity of

economic growth was justified by increasing the requirement for competitiveness, and professional high-tech skills, the development of technology and related R&D activities were already being conceived of by the late 1980s as forming a background to the competitiveness of the state, which sought to bolster economic growth (*Valtion tulo- ja menoarvioesitys...* 1982: 29, also 1984, 1986). The concept of competitiveness thus became a ubiquitous formulation in state budgets at the expense of the price competitiveness typical of the 1970s (cf. *Tulo- ja menoarvioesitys...* 1972). In addition to the increasing demand for competitiveness, the notion of internationalization became central to the state budgets in the late 1980s. All these changes that took place in the 1980s indicate a gradual shift from inward-looking to outward-looking state strategies. This was so even though inward-looking and equalizing policies still played a central role, especially in the fields of education and regional policy.

An outward-looking state: emerging competition strategies from the early 1990s onwards

By 1990 the economic boom had been continuing for some time and the unemployment rate was at its lowest point since the early 1970s (*Valtion tulo- ja menoarvioesitys...* 1990). The boom passed its peak at this point, however, and the national economy fell into a period of deep stagnation, as a result of which both public and private investments decreased markedly (*Valtion talousarvioesitys...* 1992). Employment also declined rapidly, the problems of structural and long-term unemployment deepened and the public sector was unable to increase employment with its own activities (*Valtion talousarvioesitys...* 1994). The bottom of the economic depression had been passed by the end of 1992, however, and the government started to seek to restore sustainable economic growth and improve the employment situation. It was now argued that the low rate of inflation would support competitiveness, accelerate investments and increase employment (*Valtion talousarvioesitys...* 1994).

It was in the middle of the deep economic recession that profitability and effectiveness were adopted as key principles of public administration (*Valtion tulo- ja menoarvioesitys...* 1990). The growing demands to increase effectiveness led to a number of administrative reforms which it was ar-

gued would secure the service basis of the welfare state (*Valtion talousarvioesitys...* 1992). These reforms in all sectors of the administration have continued up to the present.

In general, education and research were highly valued in the state budgets throughout the 1990s. New polytechnics were established to increase the instruction in applied technology, and growing demands were expressed to increase the efficiency of the whole education system, which was now being increasingly conceived of as the backbone of economic growth. The new, outward-looking state strategies called for an increase in measures to gauge the effectiveness of the education system (costs per unit, quantitative objectives) (*Valtion tulo- ja menoarvioesitys...* 1990; *Valtion talousarvioesitys...* 1996), and it was now argued, especially internationally, that competitive research and development were essential for the nation to survive in the integrating and expanding world markets (*Valtion talousarvioesitys...* 1992). The emphasis on R&D was coupled with growing demands to create an "information society" based on technological innovations. In fact, the concept of the information society became a key reference point in the state budgets, implying that it was a central role of the state to create the preconditions necessary for the internationalization of Finnish science and technology (*Valtion talousarvioesitys...* 1992, 1996).

Recent state budgets have clearly disclosed that government expenditure on research and development is viewed as crucial in order to increase the country's international competitiveness of in global markets. This strategy is coupled with a noticeable aim to educate highly skilled workers, who are seen as the sources of technological innovations and economic success. This is to say, the country's international competitiveness and its very survival has recently been closely connected with technological innovations and the technological skills of the people.

Given the fact that it is especially the neoliberal theory of technological change which relies on the coercive powers of competition to drive the search for new technologies and new production methods, the budgets reveal a fairly clear change towards strategies typical of competition states. In other words, they disclose a belief that there is a technological solution to each and every problem, so that technological innovations become an integral part of a state which seeks to foster international competitiveness (cf. Harvey 2005: 68).

From the early 1990s onwards, investments in economic innovations and non-material assets were argued to be important for economic growth. It was now argued that the national economy demanded massive non-material investments in education, research, product development and marketing. As such, the state began to develop new infrastructures for creating an attractive business climate (*Valtion tulo- ja menoarvioesitys...* 1990; *Valtion talousarvioesitys...* 1996). The need to attract foreign direct investments into Finland emerged in its rhetoric in the late 1990s in particular, when it was emphasized that economic and industrial policies must ensure that Finland provides advantageous conditions for the relocation of both domestic and foreign investments (*Valtion talousarvioesitys...* 1998).

The establishment of the *Centre of Expertise Programme* in the 1990s, coupled with the gradual development of the "national innovation system", epitomizes the way in which both centralized research and development and technological innovations have become incorporated into contemporary regional policies (*Valtion talousarvioesitys...* 1998). Indeed, considerable changes in regional policies took place in the state budgets from the early 1990s onwards. Not only have the ways of thinking about regional development changed, but regional policy concepts have also been renewed during the past fifteen years. Networks, innovations, clusters, city districts and private-public partnerships have more or less replaced the previous spatial language in which concepts such as development regions, central place hierarchies, regional development and regional stability were often employed.

European integration has naturally had a major impact on regional policy practices since 1995, but it is also the emphasis on international competitiveness, high-tech and privatization which has had a significant impact on the changes in these policies. The programme-based regional policies of the EU adopted by Finland in the mid-1990s further emphasised the principles of both the autonomous development of regions and their specialization. Now urban and rural policies have become increasingly separated from each others and the state has started to act as a provider of the preconditions necessary for entrepreneurship (*Valtion tulo- ja menoarvioesitys...* 1990; *Valtion talousarvioesitys...* 1992, 1994).

Regional development became increasingly understood from the 1990s onwards as the responsi-

bility of the regions rather than the central government. In general, the state begun to oblige the regions to strengthen their international economic competitiveness and attractiveness without giving them any notable degree of political self-determination (cf. Hautamäki 2001: 44–45). Thus the Finnish government currently acts as a risk taker which finances “innovative” companies, especially in the high-tech sector (*Valtion talousarvioesitys...* 1992, 1994, 1996). As a consequence, substantial financial resources are now being allocated to the information and communication technology sector in particular (*Valtion talousarvioesitys...* 1996, 1998). The Schumpeterian formulation of competitiveness has therefore been clearly visible in the national budgets from the mid-1990s onwards. As Jessop (2002: 121) reminds us, it is especially typical of competition state policies that public resources are increasingly allocated to the promotion of technological innovations that are assumed to increase the pace of economic growth.

The notions of international competitiveness were already built into all state policies by the late 1990s, and investments were being allocated especially to improve the international competitiveness of private companies and production structures in major urban regions (*Valtion talousarvioesitys...* 1996, 1998). Know-how infrastructures and entrepreneurship played a crucial part in these new policies. Thus the budget articulations from the early 1990s up to the present reflect the fact that the city-centric and outward-looking approaches to spatial policy have fundamentally challenged, if not entirely superseded, the forms of territorial redistribution that were launched in the 1960s.

Conclusions and some challenges for future research

Our analysis suggests that the interaction between the Finnish state and its territory has shifted, especially since the early 1990s. The most obvious factor which reduced the central importance of territory as a major resource of the state was the collapse of the Soviet Union, together with the resultant economic restructuring. Quite clearly, economic matters are currently superseding security issues (understood here in a broad sense) as far as the interaction between the state and its territory is concerned. This suggests that contempo-

rary education, investment and regional policies are less firmly based on equalizing principles than was the case from the 1960s up to the 1990s. State strategies have shifted from inward-looking territorial cohesion policies towards outward-looking policies based on the idea of differentiation and specialization. This is outstandingly visible in the field of education and investment policy, whereas regional policy has continued to be based on both outward-looking and inward-looking principles.

The contemporary outward-looking state strategies are clearly informed by neoliberal economic principles. Perceived global competition between states is at the core of the contemporary restructuring of the state, which aspires to create investment landscapes that will attract footloose transnational capital. The prevailing state strategies thus highlight a tendency to create conditions for private businesses, particularly export-oriented ones operating in the high-tech sector.

Our analysis of national budgets reveals that state strategies in Finland, which must be understood as responses to the “central political problem for the government” at a given time, have changed markedly over the past forty years. At a general level, the findings emphasize that Finland is gradually sliding from a welfare regime of accumulation towards a regime emblematic of competition states. In other words, inward-looking and equalizing welfare state strategies have gradually been superseded by outward-looking strategies associated with decentralizing regional policies. What is obvious is that the significance of territory as a central resource of state power is gradually decreasing. The state is increasingly employing non-material and spatially differentiating policies in its attempts to respond to the central political problem that has existed from the mid-1990s onwards, international competitiveness.

Roughly speaking, it is possible in the light of the state budgets evaluated hereto distinguish three epochs characterized by different state strategies (Table 2).

The policies that developed in Finland from the 1960s onwards highlighted national integrity and economic growth. The connection between these and security policy concerns is evident in this context. Social integrity and equality, including an even distribution of settlement, equal education, full employment and a balanced economy, were conceived as the ultimate guarantors of societal order. The politics of one nation thus characterized

Table 2. The changing strategies of the Finnish state, 1965–2005.

Epoch	Know-how	The changing strategies of the state	
		Investments	Regional policies
1960–1970 Creation of the basis for an integrated welfare state	<ul style="list-style-type: none"> • Development of the educational infrastructure and equal educational opportunities across the country. • Extension of the higher education network to the development regions. • Direction of student places into the development regions. 	<ul style="list-style-type: none"> • Building of the basic infrastructure across the state. • Vigorous investments and state activities in the development regions. • Major public investments in the production infrastructure. • Financial assistance for state-owned companies. 	<ul style="list-style-type: none"> • The objective of equal regional development is highlighted. • Forceful rhetoric regarding development regions. • State actions are seen as crucial for regional development.
c. 1980–1990 Increasing emphasis on economic growth, education, research and competitiveness	<ul style="list-style-type: none"> • Development of the system of higher education. • Increased importance of research. 	<ul style="list-style-type: none"> • Infrastructure investments: basic infrastructure and supplementary investments. • The incorporation of state-owned companies begins. 	<ul style="list-style-type: none"> • The rhetoric of development regions decreases. • The concept of competitiveness is present in the budget rhetoric. • The ideology of welfare state equality is beginning to alter towards the competition state in the late 1980s. • A programme-based regional policy aimed at providing international competitiveness surfaces in budgets.
c. 1990– Towards the competition state	<ul style="list-style-type: none"> • R&D activity and higher education are both highly valued. • The role of innovations is emphasized in the budget argumentation. • Effectiveness is implemented in the field of education. 	<ul style="list-style-type: none"> • Non-material investments become central to budgets. • The role of the state is understood as that of the key provider of preconditions for private businesses. 	<ul style="list-style-type: none"> • Urban and rural politics emerge as separate fields in the budgets. • Differentiating regional policies are introduced. • Regional equality throughout the country is still emphasized.

the era from the mid-1960s to the late 1970s. During this time the expansion of state infrastructural power across the state space took place through public investments, state planning and transfer payments as the state adopted the role of an infrastructural constructor. The government invested in education, basic infrastructure, production infrastructure and employment with the aim of increasing economic growth, homogenizing the state space and generating social integrity.

Restructuring of the Finnish welfare state has been taking place from the late 1970s onwards, a change in state strategies that was evident by the early 1980s. There was a change from the construction of societal order towards an emphasis on economic growth, competition and specialization, although the policy of one nation was still present in the state budgets throughout the 1980s, especially in the context of regional policies which still remained highly inward-looking, even though the budgets from the 1980s also reveal increasing

pressure to renew the principles of the country's regional policy.

The new regime of accumulation that gradually developed in Finland from the late 1980s onwards is clearly echoing the logic of the competition state. In other words, the discourse of international competitiveness has gradually found its way to the core of the state's social and economic policies. The previous modes of reasoning regarding the competitiveness of the state, those which had already emerged in state budgets in the early 1970s, have thus changed fundamentally. It is now the international competitiveness of the state which is emphasized and not the price competitiveness typical of the 1970s and 1980s. As a consequence, state subsidies have gradually been allocated new priorities. In sum, education and investment policies from the 1990s onwards have become increasingly outward-looking, whereas regional policies still include a mixture of outward-looking and inward-looking principles.

The imperatives of global competition have become an inseparable part of political parlance dealing with the national community in contemporary Finland. Indeed, these imperatives are widely accepted throughout the political spectrum, as most of the political parties seem to inhabit the similar kind of intellectual world (consensual competitiveness). The current articulation of international competitiveness especially emphasizes the need to open the national economy to market forces. A highly skilled labour force, knowledge and innovations are now located at the core of the state's outward-looking strategies. This evolving economy which is viewed as being based on knowledge, technology, innovations and creative class is challenging the previous territorial economy of the state. As a consequence, new state spaces are under construction via the new urban locational policies which were introduced in the late 1990s.

It is striking to note, however, that the homogenizing territorial strategies of the state typical of the 1960s and 1970s are interestingly built into the contemporary "national" regional policies. For instance, *The Regional Centre Programme* and *Centre of Expertise Programme* epitomize an attempt to extend the new competition policies throughout the country. In other words, welfare spatiality is having an interesting impact on territorial practices which emphasize international competitiveness, innovations, technology, talent, creativity, urbanism and networks.

Leaning on our observations regarding the transformation of Finnish state strategies over a period of forty years, we can go on to suggest that the gradual change from equality regimes to competition regimes not only exemplifies the gradual adoption of the rules of the global marketplace but also potentially changes the ways in which the state territory is perceived in state strategies (see Moisio 2007). The state territory was earlier understood not only as a key resource for increasing economic growth, but also as the most important basis for societal order. The contemporary state strategies – in which the "national" is subordinated to the markets – seem to be gradually downgrading both these dimensions. It is on this basis that we would like to point out six issues which will unquestionably merit more attention in regional policy research in the coming years.

Firstly, the spatial imagination based on neoliberal economic ideology that has been clearly visible in the emerging transnational regional plan-

ning discourse of the EU has gradually become institutionalized in Finland, too, and has fundamentally reshaped our national regional planning traditions (see, Jensen & Richardson 2004). In fact, EU-inflected regional policies are generating a peculiar situation in which the discourse and practices of one nation are intertwining with the articulation of international competition on a supranational scale. The re-working of the state, for instance, has been coupled with strengthening insistences upon creating a truly international metropolitan region and a new, metropolitan form of governance. This has proved to be a difficult task, however, as there is no political consensus as to what the metropolitan policies would mean in a Finnish context (cf. Pelkonen 2005: 692). Also, the historically based political tension between the capital region and the national state will clearly hinder the development of metropolitan governance in Finland. But even though there is still a considerable political resistance, this metropolitan development is nowadays clearly built into the latest state strategies, which emphasize the need to create attractive landscapes for international capital and for the international "creative class". Indeed, the government platform in 2007 explicitly mentions the aim to launch "metropolitan policy" for the first time in the history of Finland, precisely in order to fulfil the aforementioned needs (Valtioneuvosto 2007: 28). It is therefore clear that the evolving relationship between the national state and the glocal state (the Helsinki region) will require more scholarly attention in the future.

Secondly, the transformation of the global politico-economic environment, European integration and the contemporary outward-looking regional policies have transformed the relationship between the Finnish state and its territory by associating the economies of the regions with the global division of labour more directly than earlier. Interestingly, these policies aim at granting regional actors a notable degree of responsibility for promoting regional competitiveness in international markets. Given these new requirements, regions and cities seem to be partly obliged to form their own "foreign policies" on various spatial scales, partly in order to secure their activities and financial resources. The formation of these foreign policies is clearly a topic which merits scholarly attention.

Thirdly, even though contemporary Finnish statehood is based on a gradually emerging regime of accumulation which is played out at the level of the EU, the historically constructed spatial struc-

tures still have their impact on territorial practices. In other words, not all ideologies of uniform development have been abandoned in the current spatial strategies of the Finnish state. The impact of path dependence generated by the historical strategies on the increasing demands for neoliberal state strategies is clearly a topic which should be studied from various angles. The *Regional Centre Programme*, for example, which aims at creating a network of urban regions throughout the country, unfolds the importance of both cultural and material path dependence in the formation of the new state territoriality. This policy reflects a need to follow in part the attitudes, norms, expectations and practices which were created during the 1960s and 1970s, but it also emphasizes the imperatives of global competition. As a part of the current high valuation of innovations and knowledge, the *Regional Centre Programme* and *Centre of Expertise Programme* can be regarded as an interesting combination of nationalism and transnationalism. In other words, the Finnish state has developed a mosaic of differentiated spaces of regulation through the ongoing processes of state re-scaling and urban policy reform during the past twenty years.

Fourthly, various organizations such as the IMF, the World Bank and the OECD clearly serve as mediating institutions between the neoliberal ideology and state institutions. Put differently, these organizations work as pressure groups for transnational governance by employing various techniques – of which perhaps the most obvious examples are peer pressure and state rankings – to market “suitable” political practices among states. These are operations in which the practices of international competitiveness arguably work to reproduce the state as a competitive entity on a continuous basis. It is notable that the institutions connected with neoliberal transnational governance usually emphasize the need to break with “national” or “protective” economic practices and to undertake economic reforms in order to foster competition in the “sheltered” sectors. The impact of these international institutions on Finnish regional policy practices should therefore be carefully and critically explicated.

Fifth, the ways in which societal and regional cohesion could be incorporated into state practices which bolster international economic competitiveness are crucial political issues in contemporary Finland. David Harvey (2005) has suggested that the neoliberal competition state is crisis-prone, as this competition increases inequality among so-

cial classes and regions. He goes on to propose that in order to maintain the stability of such a state, neoliberal competition must be coupled with a strong sense of nationalism. Given the fact that territory is arguably one of the key constituents of nationalism and national pride, the competition state era does not mean that territory has become meaningless in the political strategies of the state. In other words, the state and its territory continue to interact in such a way that they can be said to be mutually constitutive.

The outcomes of the process in which the principle of social and regional integrity comes to be increasingly challenged by social and regional differentiation are still unclear. What is clear, however, is that the territory of the Finnish state is not only social but also cultural. The declining role of territory in state strategies emphasizing international competitiveness through technological development, a few urban nodes and the creation of a real metropolis is therefore a crucial phenomenon which should merit scholarly attention in the future. Given the fact that Finnish nationalism is not only deeply rooted in the state territory but has also often been played out through it (Paasi 1996), the development towards a competition state is particularly challenging. Academic research into the changing statehood of Finland should therefore engage with the different dimensions of territory. One would like to inquire, for instance, why powerful regional movements are rare in Finland even though spatial injustice is increasing rapidly both between and within regions.

Sixth and finally, the explication of the changing relationship between places and state power requires more scholarly effort in Finland, as elsewhere. Given the argument of Peter J. Taylor (2006) that one of the most important geographical attributes of modernity is the subordination of cities (and places in general) to territorial states, the contemporary global condition poses a significant academic challenge to conceptualize the change taking place in the spatiality of modern statehood not only in the core areas of the world economy but also on various geographical margins. Taylor suggests that there has been a fairly clear division of labour in the modern era between states and the cities they contain. The state has become responsible for territorial guardianship practices (security, discipline, regulation, orderliness) whereas the cities take care of commercial practices and the creation of wealth through production. In this sense, cities and states are indispensable to each other:

states need wealth creation to control social relations and the markets need the guardianship practices of the states for their operation. Taylor stresses that modern states are based on "simplification", implying that the space of places can be imagined in the image of the state itself (e.g. national urban and place hierarchies, as was the case in Finland). One of the major questions is whether the relations between different places and the state are fundamentally changing in Finland in the climate of neoliberal politico-economic development as some of the places become more attached to the transnational networks than others.

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