Innovative Public Governance.
The Finnish Welfare State Model

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Abstract: **Background:** The rationality of developing citizen-friendly solutions is demonstrated by the state help-
ing citizens, Finland has own pattern of public governance based inter alia on the ideals of New Public
Management. As a peripheral country quite remote from the largest European centres of power such as
Germany or France, it represents unique way of innovation in the welfare state model.
Research objectives: The paper discusses the specifics of Finnish solutions in the field of public man-
agement. The present analysis was carried out based on the dependence of those solutions on cultural
conditions.
Research design and methods: The choice of Finland is justified by its leading position in various world
rankings regarding its commitment to traditional regional values related to open public administration,
the transparency of its operations, and public participation in governance processes, the social welfare
state. The study uses secondary sources and applies systematic analysis.
Results: Finland is seen as a latecomer in developing a welfare state, in part because of its rural and agrar-
ian social structure. This process was strengthened by Finland's special position between East and West
during the Cold War.
Conclusions: Finnish administrative culture stems directly from the innovative forms of public man-
agement developed among the Nordic countries. Finland is a model example of a country exhibiting
rational, knowledge-driven progress and maintaining simplicity in developing citizen-friendly solutions.

Keywords: innovation; public governance; welfare state, enabling state; regionality; administration; public services
JEL Codes: H83, I3

1. Introduction

Thanks to its commitment to traditional regional values related to open public adminis-
tration, the transparency of its operations, and public participation in governance processes,
as well as to the characteristics of its social welfare state, Finland has for several years been
leading in various world rankings. These consider public satisfaction with the health care and
education system, the stability of the political and economic system, as well as systematic GDP
growth. All this makes the specifics of Finnish solutions in the field of public management
worth analyzing. In this context, Finland is a model example of a country that exhibits faith in
such rational, knowledge-driven progress and at the same time maintains simplicity in devel-
oping citizen-friendly solutions. The rationality of this concept is demonstrated by the fact that
the state is supposed to help citizens in a subsidiary and efficient way. As a peripheral country
quite remote from the largest European centres of power such as Germany or France, which

have a great impact on European public management models in the normative and institutional spheres, Finland has developed its own pattern of public governance based *inter alia* on the ideals of New Public Management.

The present analysis was carried out based on the dependence of those solutions on cultural conditions. Finnish administrative culture stems directly from the innovative forms of public management developed among the Nordic countries, which form a coherent group that is active not only regionally, but also internationally. They jointly promote the welfare state model, which is slowly evolving towards what is known as the 'enabling state'.

In this context, Finland is a model example of a country that exhibits faith in such rational, knowledge-driven progress and at the same time maintains simplicity in developing citizen-friendly solutions. The rationality of this concept is demonstrated by the fact that the state is supposed to help citizens in a subsidiary and efficient way. As a peripheral country quite remote from the largest European centres of power such as Germany or France, which have a great impact on European public management models in the normative and institutional spheres, Finland has developed its own pattern of public governance based *inter alia* on the ideals of New Public Management.

2. Understanding the Modern State

Along with technological development and the dynamic processes of the globalization and internationalization of various spheres of social life, including the law, the term 'innovation' has become fashionable and widely used, usually with a positive connotation. As the dictionary tells us, innovative activities bring a certain novelty (Merriam Webster Dictionary, 2022). They differ significantly from the solutions used so far, and containing modernizing, creative elements. This is tantamount to an adoption of the Enlightenment perspective on progress, in which it is assumed that what is new is better than what is old. Such a simplified vision of progress has become part of the Eurocentric mythology in which the largest, and economically and politically the strongest, European countries take the lead in developing trends that are taken up far beyond the Old Continent. It is also synonymous with Western rationality (Conrad, 2012, 999; Rocco, 1994, 74).

New solutions, e.g., in administration, are supposed to be rational, growing out of logical premises, though in the 21st century this vision does not fully correspond to the truth. It turns out that, according to various theoretical concepts concerning international reality such as constructivism, critical theory, postmodernism and postcolonialism, the notion of humanity's continuous improvement can be easily undermined (Agger, 1991, 107). A progress is not necessarily a continuous, logical development towards a bright future, as the bloody 20th century amply proved, and secondly, development need not stem from countries having superpower status (Allen, 2015, 204).

The rationality of development as understood within the above-mentioned theoretical concepts, which are alternatives to traditional trends such as liberalism, contains an "original sin", i.e. a certain paradox. Rational development is supposed to be associated with the democratic freedoms of the individual as well as his or her unhindered evolution in the cultural, educational, political and economic dimensions of life. Yet technological development does not necessarily entail liberation. It can lead to various forms of "digital enslavement", a phrase used explicitly by Theodor Adorno and Max Horkheimer, representatives of critical theory within the so-called Frankfurt School, in their famous work *The Dialectic of Enlightenment*. Adorno and

Horkheimer pointed out the illusory nature of "Enlightenment modernity", commonly associated with justice, liberty and individual self-determination (Adorno & Horkheimer, 2002, 94; Rocco, 1994, 78).

Such modernity can also be looked at through the development of bureaucratic structures, often identified with increasingly complex systems of public governance that provide "social" freedom within national, international and multinational frameworks. In the 21st century, this systemic complexity results from the growing specialization and technicratization of public administration. Management processes in various spheres of social life involve experts whose duties require increasingly specialized knowledge (Gunnel, 1982, 395).

Progress, modernity and, in today's understanding, innovation in public governance correspond to the assumptions of the classical theory of bureaucracy created by Max Weber. Weber assumed that modernity means a steady evolution towards a rational legal administration free from political influence and focused mainly on effectiveness and efficiency (Mueller, 1979, 149). These trends are confirmed in crisis situations, such as the financial crisis of 2008–2011 or the Covid-19 pandemic that broke out in March 2020. In such crisis situations, knowledge becomes the main element that legitimizes intervention by public administrative bodies. It is technocrats who are called on to find solutions that are effective and rational, and which will restore the stability lost during the crisis (Grogan & Beqiraj, 2021).

3. Innovation Governance Model in Finland

The Finnish model derives directly from the country's historical and geopolitical background. In previous centuries, Finland was dependent on the neighbouring powers of Sweden and the Russian Empire. It was under Swedish rule for more than seven centuries. In 1809, after Sweden lost in a conflict with Russia, the Grand Duchy of Finland (Fin. *Suomen suuriruhtinaskunta*) became an autonomous part of the Russian Empire under the rule of the Russian Tsar of the time, Alexander I, who allowed Finland to keep the Swedish model of governance, including Swedish legislation and many of its institutions. Finland was part of the Russian Empire until the abdication of Nicholas II in 1917, and proclaimed its independence on 6 December of that year (Bengtsson et al., 2019, 231).

Finland's specific nature is also due to its special geographical location in the north of Europe. The country's northern regions, such as Finnish Lapland, are among the inaccessible areas in Europe (in terms of costs and travel time). With a population of 5.5 million, Finland is one of the smaller European Union Member States. However, taking its economic potential and technological advancement into account, it plays an important role in the European administrative space (Spiekermann & Aalbu, 2004; Panke, 2010; Gailišs, 2020).

This analysis is intended to introduce the reader to the nuances of the functioning of Finnish public administration. The characteristics of the cultural conditions that bind Finland to the region of Northern Europe will be presented. These play an important role in the evolution of the innovation policies introduced in various fields of Finnish public governance. As a decentralized unitary state, Finland is currently adjusting its public service system to the challenges posed by the changing demographic structure of society. For various reasons, Finland stands out from other EU Member States when it comes to public management mechanisms. The originality of its approach is appreciated not only among other small or medium-sized EU countries, but even among the other Nordic countries. It is worth noting at the outset that, although Finland is commonly understood as being a part of Scandinavia, in fact it is not, nei-

ther linguistically nor ethnically. Properly speaking, Scandinavia comprises countries in which Germanic languages are spoken – Norway, Sweden, Denmark and Iceland, whereas the Finnish language belongs to the Finno-Ugric language group. In many contexts, including the political and cultural contexts, Finland is clearly distinct from the other Scandinavian countries.

4. Nordic Exeptionalism: Truth or Myth?

While they have a strong sense of their own identity that differs from that of the other northern states, the Finns, like the Scandinavians, clearly identify with the region known in the literature on international law and international relations as the North – Norden (Musiał, 2001). The five Nordic countries, then – Finland, Sweden, Denmark, Norway and Iceland – stand out from other European countries precisely because of their strong regional solidarity, manifest, for example, in their sharing similar socio-economic approaches – a result of cultural proximity and common historical experience (Korhonen, 2011, 14).

The pragmatism of the Nordic peoples, resulting in part from their need to adapt to difficult climatic conditions, is one of the reasons for their attachment to the region and their understanding of its specificity compared to other parts of Europe. Their approach relies primarily on the belief that most decisions should be negotiated within different kinds of deliberative platforms: at various levels of public administration, within local government, in Nordic regional cooperation institutions and, more broadly, in European and international bodies. In this understanding of Nordic pragmatism, there is a close identification between state and nation (Vogt, 2009, 143; Kettunen, 2008, 60). Citizens perceive their coexistence through the prism of the institutional and normative framework that constitutes the state. In this context, it should be noted that the region's positive image stems directly from the positive self-reflection of the Nordic countries themselves, which was born after the Second World War and has become an enduring leitmotif for the institutionalisation of regional cooperation (Hecker-Stampehl, 2002).

For decades, decision-makers from countries such as Finland, Sweden and Denmark have realised that it is to each country's advantage to speak with a common voice in international institutions and to stand in solidarity with the other Nordic countries in multilateral negotiation processes. Cultural and geographical proximity also shapes similar national goals and interests. The literature refers in this context to a "community of destiny" among the Nordic countries. In the context of many of the economic or legal solutions they employ they remain close to each other, but are distant, different and often incomprehensible to other European countries. The idea of regional solidarity, which stems from this "community of destiny", is expressed *inter alia* in the adoption of management or regulatory models that are effective in individual countries. Historically, in terms of legal and administrative culture the Swedish model has been of particular importance. Today, however, Finland is leading the way in many areas, such as in the use of artificial intelligence in the functioning of public administration or health services (Hecker-Stampehl, 2002; Peterson, 2022; Savolainen, 2021).

The Nordic countries are a good example of the characteristic processes taking place in the international environment in the age of globalization. On the one hand, one can observe a universalization, cosmopolitanization and harmonization of institutional and normative structures, and within this scope the Nordic countries have been identified for several decades as being among the most 'globalized' countries in the world (Einhorn & Logue, 2004). On the other hand, a derivative of globalisation and the internationalisation of social reality is a regionalization and intensification of nationalist sentiments. Northern Europe, due to its historical

experience associated primarily with centuries of Swedish domination, has developed a specific regional identity anchored in the national identities of its individual states (Thorkildsen, 1997, 138, 142).

There were strong nationalist overtones in the first half of the 20th century, primarily due to "Nordic" racial element in the Nazi propaganda of the 1930s and 1940s. This narrative was abandoned after the Second World War in favour of a more benign self-perception among the Nordic peoples that accentuated their cultural and economic originality, as well as innovations in various areas of social life. Good governance – effective and citizen-friendly public management – has become one of the components of the Nordic countries' positive image (Musiał, 2001, 107).

The Nordic countries are seen as mid-ranking countries in the international system. Together, Finland, Sweden, Norway, Denmark and Iceland have only 25 million inhabitants. Their regional identification, though, yields practical results: by speaking with one voice, they are heard more clearly on the international stage. It is easier for the Nordic countries to act together in integrated structures, and they often present a coherent position. They are also very close to each other, not only geographically or more broadly, geopolitically, but also – and this is important in the context of these considerations – culturally, mentally, civilisationally and ideologically (Hecker-Stampehl, 2002).

Their cultural proximity, which involves not only a similarity of axiological systems but also of their legal and administrative cultures, is of special importance. The Nordic countries have a common understanding of the mechanisms of the rule of law, the importance of civil rights, the functioning of social systems supporting citizens at different stages of their lives, social solidarity, egalitarianism, and equal opportunity. Attention is drawn to the homogeneity of Nordic societies – above all in terms of social background and education. This facilitates a consolidation of the Nordic nations, including the Finnish nation, around common values, and strengthens the legitimacy of decision-makers as the nation's representatives (Strang, 2013; Vik et al., 2018).

Nordic decision-makers do not differ in principle from other citizens in terms of their social status, education or experience. This is reflected in media reports illustrating the unprecedented behaviour of Finnish President Sauli Niinistö, who is very popular for his directness and ease of communicating his intentions. In 2018, he managed to be re-elected as president in the first round of the election with more than 60% of the vote. Another example is Finland's Prime Minister Sanna Marin, who is one of the youngest European prime ministers and one of the few women in this position in one of the world's most feminised governments: currently, nine out of the country's eighteen ministers are women. Leading politicians do not remain aloof from the public. Decision-making chains are much shorter than in larger, more bureaucratic countries such as Germany, France or Italy, something often emphasized as one of the dimensions of the welfare state and an important factor that accelerates the implementation of social innovation.

This reflects another very strong element of the Nordic identity. Until the mid-20th century, the Finns strongly identified with a kind of 'tribal' community, i.e. one based on ethnic origin. In this Herderian understanding, belonging to a national group (Germ. *Volk*) is connected with the fact of birth and is inalienable (Eggel, 2007, 48). Such perceptions within Nordic societies, including Finnish society, have been far-reachingly reconfigured and deconstructed over time. Nordic egalitarianism, which stems from historical traditions and Protestantism, was one of the reasons why Finland and Sweden, as well as the other Nordic countries, were seen as attractive migration destinations (Borevi, 2020; Vogt, 2009, 143).

Unexpectedly, ethno-nationalism (so called nativism), a characteristic of populist right-wing parties, has returned with the influx of migrants (Arter, 2010, 497). For many years, the prevailing view in the academic literature was that Finland (and Sweden) was a country where radical right parties were unable to make significant headway. Finland was even long considered "to be immune to right-wing populist appeal". This point of view had to change, however, in 2009, when the nationalistic True Finn Party (Fin. *Perussuomalaiset*) gained 10 per cent of the national vote in the European Parliament election. Since then, the party has had a permanent presence on the Finnish political scene (Kitschelt, 2007; Kestilä-Kekkonen & Söderlund, 2014).

In the current composition (200 seats) of the Finnish parliament (Eduskunta) after the 2019 elections, the Social Democratic Party (Fin. *Suomen Sosialidemokraattinen Puolue*) is the dominant force (40 seats), which is in line with the traditions of the Nordic countries. However, it has only a slight advantage over the True Finn Party (in second place in the 2019 election) and the center-right National Coalition Party (Fin. *Kansallinen Kokoomus*), each of which holds 38 seats in the Eduskunta. In fourth place, with 31 seats, is the liberal-conservative and agrarian Centre Party (Fin. *Suomen Keskusta*), the coalition partner in the Social Democratic government of Prime Minister Sanna Marin (Eduskunta, 2022).

The Nordic countries are creating a relatively independent security policy. After years of neutrality, they have become actively involved in pan-European processes. Their foreign activity has been described as original, something which the Finns consider a normal part of multi-level governance as broadly understood, and which also applies to the international sphere. 'Conceptual innovations' are an integral part of the Nordic countries' foreign policy, which is usually based on 'agility' and flexibility (Palosaari, 2013, 359; Sinkkonen & Vogt, 2015). Small states must be 'agile', since often they are unable to fully determine their own actions in complex multi-level deliberative structures. To paraphrase Robert Keohane's metaphor, small powers, even when grouped together, can never change the international system (Keohane, 2006, 55). They take up and develop initiatives already launched by the larger players. In the case of the Nordic states, this means using regional cooperation mechanisms, particularly within the Nordic Council (Strang, 2013, 34; Gassen & Maurer, 2006, 31).

In this sense, it is understandable that Finland has aspired for several decades as a mediator, advisor and donator in the international environment. Those aspirations stem from the Cold War and the efforts of the longstanding Finnish president Urho Kekkonen to define Finland's role as a 'bridge-builder in the conflict between East and West, which ultimately resulted in Finland's involvement in the process related to the Conference on Security and Co-operation in Europe (Sinkkonen & Vogt, 2015, 67; Vogt, 2009, 145). Kekkonen's metaphor that Finland is "a physician, rather than a judge" has been preserved, and today Finland is known for its activities in peacekeeping and crisis management operations led by the European Union and the North Atlantic Treaty Organization. Finland's efforts to institutionalize mediation in international relations stem directly from its cultural background and are reflected in its overall conception of public governance processes. The Finns view social interaction in multi-level deliberative structures at the national and international levels through the prism of dialogue and the search for constructive solutions acceptable to all participants (Palosaari, 2013, 361).

5. Building Social Innovation on Belonging

An important cohesive element in the Nordic countries is Protestantism, which is dominant. The religious factor is seen as an important element shaping national identity and its cultural

dimension. This also applies to the Protestant countries of the North, where the Evangelical-Lutheran confession had an important function in shaping identity (Kotiranta, 2015, 273). In those countries, and especially in Finland and Sweden, denomination and nationality were closely linked, and traditional values stemming from the religion determined various state reform projects. They also contributed significantly to the process of developing the Nordic welfare state models.

Some scholars speak in this context of a 'secularized Lutheranism' where the dominant confession is closely integrated in state structures. After obtaining its independence in 1917/18, Finland declared itself a religiously neutral state. However, the state church system, which also includes the Orthodox Church, was retained (Werner, 2008). Despite their high membership levels in the Evangelical Lutheran State Churches, the Nordic countries are seen as highly secularized. In the literature, their nationalised religion is seen as an element that consolidates society and contributes to its economic development: "It is definitely more of about *belonging* to than *believing*" (Lejon & Agnafors, 2011). It has also been pointed out that 'secularized Lutheranism' as a dominant feature of Nordic society directly contributes to "impressively high levels of societal health, social well-being, and an admirable moral social order" (Zuckermann, 2008, 20).

Protestantism is one of the components that shapes what are known as individualistic cultures. In such cultures, the individual is the fundamental subject. One's place in a specific social group depends on one's individual talents, skills, knowledge and effort. This is one of the foundations of Nordic, including Finnish, innovation: belief in one's own abilities and skills, thanks to which an individual can modify their surrounding reality. One of the most important elements of the Finnish educational system is the formation of the so-called adversarial approach in Finns, based on the belief that everyone should have an equal opportunity to defend their position in various situations, and that the individual's ability to present their views logically and clearly should be strengthened (Hofstede, 1991, 28; Kohtamäki, 2017).

For several decades, these elements have contributed to the strong conviction held in Finland and the other Nordic countries that they are exceptional. While such a conviction is not exceptional, what is exceptional is the fact that the identity of – the five Nordic states is founded on their perception of the uniqueness of the whole region. This stems from the region's geographical and geopolitical remoteness from Central and Western Europe. It is also the result of specific nation-building processes. To draw on the dichotomous division of the German sociologist Ferdinand Tönnies, Nordic societies have a strong sense of national community (Germ. *Gemeinschaft*) but have also developed modern civil societies (Germ. *Gesellschaft*) in which the law and transparent public governance provide the basis for the functioning of the community. The modern regionalism of the Nordic countries is the result of this dichotomy (Tönnies, 2012, 27).

In the case of the Nordic states, regionalism has not weakened their sense of being separate from their neighbours. In fact, it has strengthened this in their relations with countries outside the region. The latter relationship is based on a belief in the strong interdependence of participants in contemporary international relations. The Nordic states, aware of their peripherality, have turned it into an asset by binding themselves within multiple cooperative networks with a series of multilateral commitments. In this context, they are transforming regional exceptionalism into internationalism (Vogt, 2009, 141; Miles, 2015, 15).

In reports on social happiness, the Nordic countries, including Finland, have been in the lead for many years. Finland has ranked in recent years as the most stable and one of the best-governed countries in the world (cf. Fragile State Index 2020 and Legatum Prosperity Index

2019). This objectively confirms Finland's uniqueness compared to other countries in the world, although together with other Nordic countries Finland also faces many problems that are causing some economists and political scientists to question the myth of Nordic exceptionalism. From a legal perspective, however, in terms of both the activities of public administration bodies and the regulatory construction of the Finnish system, the myth of the uniqueness of Nordic concepts can be confirmed (Bengtsson, 2014; Ornston, 2018; Raitio, 2012).

It should be noted at the same time that public management is a certain semantic construct that is part of national legal and administrative culture as broadly understood. These cultural dimensions co-create the national identity of Finland and the other Nordic countries. If we adopt a constructivist understanding of identity, then this should be seen as a continuous process of creating social norms in various interactions. Nordic exceptionalism, then, is also not a static phenomenon. It manifests itself in various forms of activity of the Nordic societies and corresponds to certain perceptions – their own perceptions and those of other actors in international relations. One enduring topos that has become entrenched in recent decades is the belief that the Finnish administrative system is innovative (Hecker-Stampehl, 2002; Browning, 2008).

6. Finland's Evolution towards the Welfare State

Finland, like the other Nordic countries, is regarded as a peripheral state, that is, one that is far from the core of political, economic and cultural activities. For centuries, Finland has been geographically distant from Western Europe, which, with Germany and France at its head, can be considered the centre of the European world. Situated far from the centre, but with strong ties to the countries of the region, Finland has developed a particular type of economy that qualifies it as a wealthy Nordic welfare state. It also features a stable political system that pursues similar objectives in domestic and foreign policy regardless of the party in power, as well as a transparent public management based on innovative solutions (Browning, 2008).

Finland is a unitary state, ranked among the most stable countries in the world in terms of the durability of its legal norms and the effectiveness of its political and economic structures. A derivative benefit of these elements is high public trust in the state (in political and judicial institutions), which facilitates the introduction of innovative solutions in public management, e.g. in health care in times of pandemics. Finns legitimise the actions of those in power in crisis situations, and this stems not only from the latter's formal legitimacy – the anointing of decision-makers in democratic elections – but also from axiological and participatory legitimacy.

Axiological legitimacy consists in sharing similar values. In the case of Finland, those values result in part from tradition and the country's Protestant roots, as mentioned above. Participatory legitimacy is related to the pragmatism of decision-making processes as indicated in the previous section, understood as inclusiveness. Finland is a model example of multi-level governance, in which citizens participate in an active and increasingly technologically advanced way at different levels of the administrative system. Hence, despite its geographic location and its small population, Finland quickly found a place for itself in the European administrative space after joining the European Union in 1995 (Gassen & Mauerer, 2006; Martela et al., 2020).

It is believed that it is easier to build a welfare state in ethnically and culturally homogeneous countries (Bjørnskov, 2008). While the other Nordic countries confirm this claim less and less due to the large influx of migrants, it still applies to Finland. The number of people with a foreign background represents only 6% of the Finnish population (in contrast to Sweden,

where 25% of residents have a foreign background) (Statistics Finland; Statistics Sweden). This assumption translates into the consolidation of society around common assumptions resulting from tradition and history, which enables a strong identification with both the institutional structure of the state and the regulatory actions of policy makers. This refers both to the legislative dimension, i.e., acts of law interfering with the market, and to the supervisory dimension, i.e., interventions by state bodies in the economic activity of private entities.

Research on the economic development of the Nordic countries shows that it fits into two complementary theoretical concepts. The first is the concept of modernization, associated with the adoption of functional solutions created by more advanced countries. Modernization in this part of Europe has taken place intensively since the second half of the 19th century, and has encompassed the economy, education, law (especially administrative law), and the political system. The Nordic countries, including Finland, did not uncritically follow the "universal development patterns" of Western Europe. Since many solutions reached Northern Europe with a certain delay over the centuries due to the region's geographical remoteness, the patterns adopted were internalized into the native systems, 'filtered' functionally and adopted consciously in accordance with the criterion of their usefulness for local communities (Iommi, 2020).

Thus, in the Nordic countries – and in Finland in particular, mainly due to its continuing high level of cultural, linguistic and ethnic homogeneity – the theory of modernization should be understood broadly. That is, not only the assumptions presented in the context of modernization by economists, but also those by sociologists, lawyers, and political theorists apply. In the context of the theoretical considerations of Nordic researchers such as the Norwegian philosopher Gunnar Skirbekk, the modernization of Northern Europe should be understood differently from other parts of the world, primarily in the particular axiological dimension of values, including a strong attachment to nature. The rationality of modernization processes is connected in this cultural circle with the understanding that man functions as part of the natural environment – an inherent component of the collective identities of the Nordic states. This is clearly visible in the context of Finland, where the national colors – blue and white – refer to the dominant colors of the landscape. In Finland, the natural environment is one of the primary references in defining national identity. Modernization, identified with the search for novel, innovative solutions in social life, should therefore take account of issues related to preserving the purity of the natural environment (Skirbekk, 2011, 38, 68).

The community of values is also reflected in the Nordic understanding of democracy, which has a strongly participatory character. To quote Gunnar Skirbekk: "Democracy in modern societies (...) requires public education and public enlightenment (...). As citizens in a democracy, we have political power and co-responsibility (dependent on personal position and resources). Thus, there is a difference between the role of a citizen (Germ. *Staatsbürger*) and the role of a subject (Germ. *Untertan*)". A citizen is a subject who co-creates social reality. This co-creation means exerting influence through elections at different levels – not only federal elections but also those at the local level – decisions made for the community. In the Finnish context, self-governance and the municipal structure are of particular importance (Rizzo, 2006, 52).

The second concept is the theory of late industrialization, which originally referred to the authoritarian and protectionist policies of Asian states. This assumes a strong role for the state, and appeals to patterns of mercantilism and economic nationalism (Pawłuszko, 2015, 199). In Finland, the process of industrialization did not begin until the second half of the 19th century. The Finns themselves even write in this context about industrialization "in the middle of

the forest" because for the next 100 years one could talk about the industrialization of sparsely populated, agricultural and forest areas (Alapuro, 2019, 19–37). Industry was dominated by the production of wood, paper and wood products, and for a long time these were Finland's primary export products. Also significant for modern Finland and the idea of local government was the country's historical social structure dominated by farmers, and later, workers. The Finnish bourgeoisie grew slower than its Swedish counterpart, and this can be seen as an explanation for Finland's lower rate of industrialization. In addition, to this day Finland is a rural country with small towns and only a few bigger cities (Bengtsson et al., 2019, 231).

7. Conclusions

In all the Nordic countries, the construction of the welfare state took place as an important element of the modernization of state structures. The process of modernization understood in this way was gradual and involved the transformation of agrarian-dominated societies into industrial societies, which in turn meant the dissolution of traditional forms of social protection and support. The dynamic changes that took place in Finland and the other Nordic countries at the beginning of the 20th century related to the increasing number of workers who identified themselves both as individuals with specific civil rights and as members of diverse social groups. The point of reference for such social collectives was, above all, the individual's place of origin, but also included their place of work or residence. To quote Niels Christiansen and Klaus Petersen: "Across conflicting ideologies people regarded these collectives as the prime agents in the formation of the future social order, and these collectives, farmers and workers in particular, played an essential role in the formation of political democracy (…) as well as in the construction of the welfare state" (Christiansen & Petersen, 2001, 178).

The change of social structure and progressing industrialization conditioned increasing interventionism on the part of the state. The period from the 1930s to 1950s is seen in Finland, as well as in the other Nordic countries, as the beginning of the construction of the modern welfare state with a developed system of social protection. Market mechanisms begin to be regulated by the state under the principle of equal opportunity and care for all citizens. The foundation of such activities was the concept of social solidarity and the principle of the citizens' social rights (Bengtsson et al., 2019).

The first phase of building the welfare state involved the creation of administrative structures to intervene in the social sphere. Parallel to this process, the legislative activity of the state created normative bases for citizens' social rights. The main idea of such legislative evolution was that all citizens, regardless of their sex, age or the region where they live, are equally entitled to the same rights and opportunities (e.g., education and work). In this context, equality and balanced regional development are considered important parts of Finnish innovation policies. The whole process of shaping those policies can be seen as a kind of social engineering. This is typical of the Nordic countries in the 20th century, in which modern social structures were built in a pragmatic, functionally conditioned manner (Suorsa, 2005, 16).

Modernity understood synonymously with innovativeness is directly connected with social development supported by the state, e.g., in the fields of education, health care and social security. Here, the welfare state is associated with modernization. The Nordic welfare state concept is neither ideal nor static. Attention is drawn to the dynamics of its development along with the development of the Nordic economies (Jungerstam & Wentjärvi, 2019).

This is especially true for Finland, which, after World War II, was one of the poorest European countries. In comparison with other countries struggling to overcome the damage caused during the war, Finland not only made up for its losses relatively quickly, but also began to rapidly develop its economy, to become in the 1970s and 1980s one of the most dynamically developing European countries. This was also a time of dynamic development in the Finnish welfare state, meaning above all the expansion of social security benefits and public services. Thus, Finland is seen as a latecomer in developing a welfare state, in part because of its rural and agrarian social structure as mentioned above. The transformation to an "urbanized wage-work society" was completed only in the late 1980s. There is a strong belief in the study of international relations that this process was strengthened by the Finland's special position between East and West during the Cold War, which fostered the creation of a "coordinated market economy" – a unique socio-economic configuration (Kettunen, 2001, 226; Adler-Nissen & Gad, 2014, 8).

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Conflict of Interest

I declare that the research was conducted without any commercial or financial relationships that could be construed as a potential conflict of interest.

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