

## Can the Nordic Welfare State Survive in the World of the Internet?

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*Note:*

**Dr. Tiihonen would be interested in comments on her question number 1:**

*Where will the tax revenues for the Nordic countries' democracy and egalitarian social welfare system come from in the virtual economy? Please send your comments to the [Innovation Journal](#).*

*"Strong democracy means the participation of all the people in at least some aspects of self-government at least some of the time."*

Benjamin Barber, *Strong Democracy*, 1985

For the citizen, modern technology, including the interactive Internet, has created technological possibilities for genuine self-government, independent decision-making and timely participation in the preparation of decisions. In spite of technological progress, however, we are far from achieving the objective of a strong democracy. While it is a basic requirement of Professor Barber's (1985) concept of energetic self-government, free and equal opportunity to obtain information has not become a reality.

As long as the information society remains a matter of the most creative engineers, the most adept Internet surfers, the most capable brains, the top information technology (IT) researchers and ministerial workers wielding centralized public power, while merchants hawk the latest communications technology, we must, in the name of democracy, demand a people's information society. The more clearly the economy is built around such success factors as technological expertise that pervades all production and activity, global competition, innovativeness, and a sure and functional social structure (including a strong and effective public sector) the less right do we have to neglect a single area or social group. In the case of Finland, with its five million people, this means that we must all in some way be working to achieve success - each person in his or her own way, at his or her own level.

The objective of the recent *Politics and Internet Congress* held January 6-9, 1999 in Helsinki, Finland was to raise consciousness about the impacts of the new information technology on life and society, and thereby on democracy. Because the problems range over many levels and fields, we tried to elucidate the multifaceted importance of the Internet through a great variety of themes, workshops, and addresses. The participants included politicians, civic activists, scientists, IT engineers, civil servants, journalists, librarians, students, young people, old people, special Internet users such as the blind, and a variety of practitioners in the field. All the continents were represented.

We shall be dealing with the same spectrum of levels and fields we addressed in the Congress if we demand the realization of Prof. Barber's strong democracy in the society of the future. It will not suffice simply for the highest-level state organs to meet the conditions of democracy. It will not suffice simply for a few large, wealthy countries to make advances in

information technology. For the conditions of Prof. Barber's strong democracy to be fulfilled, the model of self-government must spread from the centres of power to the people. In Finland that means disseminating the model to our provinces and communities. The model must involve work and leisure-time activities as well as legislation and administration. All age groups, from children to the elderly, must be included. The right to self-government must apply equally to rich and poor.

On the basis of these assumptions of diversity, I would like in my article to point out a few themes that are important from the standpoint of democracy. They too are varied in terms of level, but all of them have a connection with the Internet and democracy.

I present these themes as my thoughts and impressions. I do not assign them any order of importance. Some are matters of principle, some matters of practice; some are structural problems and some amount simply to very human anecdotes; some are fundamental questions of democracy on a grand scale, some provide glimpses of democracy in microcosm. Such is the world of the Internet and the information society in general. The old assumptions no longer hold; nor do hierarchical configurations.

I got answers to some of my questions at the congress; to others I got a partial answer; to yet others, no real answer at all. All my advance reflections did however receive new stimulation. In subsequent congresses, we can deal with the questions that remain. Naturally, discussion of the information society will also continue within Parliament's Committee for the Future after the upcoming elections.

The Internet's impacts are manifold. If we are to be honest, we must try to treat the Internet as being as complicated and difficult as it might be. To me, the word *Internet* brings to mind the following questions:

**1) Where will the tax revenues for the Nordic countries' democracy and egalitarian social welfare system come from in the virtual economy?**

The steady receipt of tax revenues is one of the key foundations of the Nordic welfare state. It is difficult to imagine how we shall manage to preserve the welfare state model if that foundation fails. It is simply impossible to promise everyone schooling, health care and child care free of charge if large sums of tax money are not being collected.

If, on the one hand, both commerce and various phases of the production of goods are entrusted to electronic communications, and, on the other, an increasing amount of work can be done, and profit generated, incorporeally, what or whom is the state to tax? In a virtual economy, wealth is created with commodities and labour that cannot be specifically located either geographically, institutionally or temporally.

It does not have to be virtual commerce, business in cyberspace or intellectual products, which are disappearing from control of authorities responsible for collecting tax or customs. Think only about those quite old-fashioned everyday products - clothes, books, kitchenware - which are sold via Internet, produced in 10-15 different places all over the world and delivered in

old-fashioned parcels by post to customers. The volume of activities is such that it will in a few years take tremendous resources to collect any kind of tax or customs from them.

And you cannot in any way collect more tax from workers either. In Sweden it is said that every fourth young engineer and economist leaves Sweden immediately after graduation. The desire to get out has spread also among people working in the public sector (e.g. nurses and medical doctors). It was recently in the newspaper that the main reason is a burden of taxation. The loss is manifold. The costs of education alone—from kindergarten to university—in a country where almost everything—just to mention childcare, healthcare and education—is organised free of charge, paid for by the state.

The same situation holds with firms. Sweden has higher taxation than Finland. A lot of headquarters of famous global firms have moved abroad in the era of giant fusions (ABB to Switzerland, Astra and the main part of Ericsson to London, Volvo to Detroit and recently StoraEnso and MeritaNordbanken to Helsinki). And you cannot help it that more and more quite ordinary people personally invest abroad or move their accounts to the Island of Jersey.

In a time of global connections the borders of a nation and the borders of a welfare-state like Finland, is the nearest personal computer (PC) or mobile phone.

## **2) How are jobs created in the information society?**

The thought may be a bit old-fashioned, but I believe that, if people are working, both the individual and society prosper. I think it is important in the information society, too, that everyone have both the right to be useful and the right to benefit from work.

The current rationalization trend in IT worries Europeans. If the big EU countries streamline and automate operations as swiftly and thoroughly as Finland has in the public and private sectors alike, millions will be "liberated" from so-called old jobs and old fields. In a modern Finnish paper mill, one man sits in front of a great control console reminiscent of an aeroplane's instrument panel, directing an extremely complicated, super-automated production process in which wood is transformed into the world's finest papers. Rationalization has displaced almost all the women who once worked at the tellers' counters of our banks. Altogether half of banking personnel was kicked out in 10 years. In Finland, the bank now is a personal computer or a TV terminal in one's living room. The post, the railways and many other large, traditional government departments have been turned into public utilities or privatized. This has meant a reduction of personnel or sometimes, regrettably, the replacement of older workers with younger ones.

It is worth noting that, in Finland, the automation process took place primarily when the information society was not even yet a subject of discussion. Now a new series of rationalizations is being instituted through globalization and mergers.

If we compare the rationalization boom of the 1980s to this latest one there is a big difference in the effects of knowledge on employment policy. In almost every field of production you have to recognize and try to use the newest results of science and research. In almost every

field of science and technology you can see revolutionary innovation. Information technology has been driving these changes by magnifying the acceleration and sharing of knowledge. New methods are improving the productivity of science, engineering, and design talent. At the same time, worldwide networks of scientists and different kinds of innovators and experts are enabling the free flow of ideas and knowledge. The economic and other rewards for technological innovation, discovery and knowledge have never been higher. It is estimated that knowledge is currently doubling every five to six years. By the year 2020, it could double every 73 days. In the visions of employment policy of the European Union (EU) it is speculated that until the year 2005, 80 per cent of technology being used will be younger than 10 years. This means that the relevant, important technology in the beginning of 21st century is mostly still unknown, or it is perhaps only some ideas and hypotheses in the heads of professors and engineers.

At the global level, the streamlining of production and the economy in general is vitally important to all players. The problem is how to ensure that, when the dust settles, various social groups will have found their respective places in the new world order and its division of labour. There is necessary and beneficial work to be done. In the competitive global market, however, that work is not necessarily paid.

### **3) Has technological expertise combined with economic aggressiveness already made the United States the 1990s' big winner?**

In terms of financial worth, as opposed to number of employees, the world's 500 largest business enterprises, at the end of the 1980s, consisted of a rather even mix of U.S., European and Asian companies. Today, at the end of the 1990s, U.S. dominance is an obvious fact. As of 31 December 1998, the top 50 enterprises included few from outside the United States: of the top 25, 20 were from the States, 2 from Switzerland, and 1 each from Japan, the Netherlands, and the United Kingdom. The only Finnish firm in the top 500, Nokia, had jumped in one year from 108th to 62nd. On both the global and European top-500 lists, more than 20 per cent of the names had changed in the preceding year.

In the 1990s, the pace of global competition and renewal has picked up speed. In the end, only the strongest will survive. Some gurus say that if an enterprise becomes one of the three biggest in its sector, it will have a good chance of prospering, but more and more experts are saying bluntly that only one will win.

The U.S. commercial and industrial renaissance of the 1990s has been dramatic. The States' share of world stock-market value has gone from 31 to 53 per cent. Japan's share, which was 42 per cent at the beginning of the 1990s, has shrunk to a mere 10 per cent. The United Kingdom has gone from 9 to 10 per cent, while the remainder of Europe has seen its share grow from 13 to 21 per cent.

In terms of stock-market capital expressed in billions of U.S. dollars, the world's top 10 companies in 1990 and 1998 were as follows:

**1990**

Nippon Telegraph and Telephone	119
IBM	169
Industrial Bank of Japan	68
Royal Dutch Shell	67
General Electric	63
Exxon	60
Sumitomo Bank	56
Fuji Bank	53
Toyota Motor	50
Mitsui Taiyo Kobe Bank	50

**1998**

Microsoft	318
General Electrical	295
Intel	194
Merck	188
Exxon	174
CocaCola	170
WalMart Stores	165
IBM	152
Royal Dutch Shell	149
Pfizer	146

At the POLITICS&INTERNET Congress, I asked myself how great a role the United States' obvious expertise in IT has played in forging the country's economic dominance. I include in that expertise know-how with the Internet, which has pervaded all of business life and, indeed, all of society.

**4) Will sociologist Amitai Etzioni's objective of a humane market prove impossible in the 21st century?**

Writing in the *New Statesman* (20 November 1998), sociologist Amitai Etzioni says that most admirers of the United States' economic success seem unaware of the extent and nature of

the sacrifices it has entailed. In this particular article he does not refer to the poor or to the rise in economic inequality, though these are important and oft-noted topics. He is worried, rather, about the quality of life for the majority, the effects of competitiveness and the rat race of the new global economy on the lives of most members of U.S. society.

U.S. families are working much harder to maintain their standard of living than they did a generation ago. Most of them now have two or even more breadwinners. Among secondary school pupils, 75 per cent of all boys aged 17-18, and 38 per cent of girls in the same age group work more than 20 hours a week during the school year. Millions of elderly Americans work to provide for themselves and their families. The money is needed for many purposes. For upper-middle-class families, more work and money are needed for better cars or more luxurious holidays; for the lower class, it's a matter of family subsistence.

The result has been a profound decline in the quality of life. People have much less time for their children, for one another, for community life and voluntary work, for studying, and for the enjoyment of everything else that is not work-related. At the same time, health-care and retirement benefits have been diluted and reduced. There has always been much less job security in the States than in Europe. The few U.S. companies that formerly guaranteed lifetime employment have announced that all bets are off. Mr. Etzioni says that the quality of everything from food to nursing-home care has been compromised by weakening government regulations and slicing enforcement budgets. Hours, staff and services have been cut in practically all institutions, from public libraries to museums. All these developments affect most Americans.

Mr. Etzioni goes on to note that the social element of the market has not disappeared in the States - but it has been, so to speak, downsized. Even the *Wall Street Journal* has asked, Is the market cutting too deeply into the life of the nation?

Finally, Mr. Etzioni asks directly: *"Do all societies, if they are to hold their own in the world market, have to make the same trade-off, or can some restructure their social markets in ways that keep the social more robust? How far is a society willing to go to gain a few extra percentage points of economic growth and 4 per cent less unemployment?"*

##### **5) Does the distribution of labour in the information society mean that the capable young people will get the prized information jobs while the old merely serve the young?**

At the congress, one of Amitai Etzioni's characterizations of the United States, which has gone the furthest on the information society road, got me thinking, Are we headed in the same direction in the Nordic countries? According to Mr. Etzioni, *"Next time you see a widow in her eighties dragging her feet to serve customers in an American restaurant or drug store chain, note that she is not alone."*

In the Nordic countries, this kind of sight has been an impossibility, because you get a payment from the government if you are disabled or over the age of 65.

In Finland, it is anticipated that today's unemployment will turn into a labour shortage in the 21st century. The need for information workers is already increasing, and sharply. At the same time, people are taking early retirement at age 58, on average. As we 50-somethings retire at an earlier age - increasingly, as technological change pushes us out into the cold - where will the money come from for today's 60 per cent pensions? Will waiting on the expert generation, on the money-makers, be the only alternative left?

### **6) Will virtual stock markets, with their virtual share prices, begin the 21st century by bringing down the economy?**

The international financial press has been telling us for more than a year that the technology-driven rise in the U.S. stock markets has left the realm of reality - and that the euphoria will soon end with a bang, not a whimper. The prophets of doom were joined most recently, at the end of January, by Federal Reserve Bank Chairman Alan Greenspan. According to him, the bubble of inflated U.S. share prices will burst and the values of Internet stock, which have risen to especially dizzying heights, will come crashing down.

At the beginning of February, in Davos, Switzerland, the head of Germany's central bank, Hans Tietmeyer, shared Mr. Greenspan's fears - but top international businesspeople on hand declined to join in the apocalyptic refrain. More than 80 per cent of the CEOs surveyed in Davos declared themselves optimistic about growth prospects for the next three years. No fewer than half of the 800 respondents expected to face growing challenges from nontraditional competitors using e-commerce to invade established markets. CEOs are taking the threat from cyberspace seriously. The Davos CEOs - by the way - were found to be active web surfers. Almost a third rated their personal Internet proficiency as excellent, and a quarter said they had spent more than ten days during the preceding four weeks surfing the web.

Be all that as it may, virtual reality has in all likelihood taken over the stock exchanges. Particularly in the United States, the skyrocketing share prices of Internet companies are at this point all about expectations, as opposed to substance. Sales of Yahoo!, for example, are running at about USD 200 million yearly, but the company's stock-market value is in the range of USD 40 billion. The size of the bubble is depicted by the fact that, in terms of market value, Yahoo! is now worth more than Boeing. Shares in Amazon.com's Internet bookshop rose in value by 966 per cent in 1998, even although the company's annual bottom line has yet to be written in black ink.

If share prices for the big Internet enterprises and the information technology corporations associated with them collapse, how great will the impact be on the economy of the United States and, indeed, the entire Western world? If the crash comes, who will pay the most painful price - ordinary citizens? How will Europe and Finland - an IT country tied closely to the global economy - survive with their burdensome welfare state models? Or is it again so, that we are not able to understand properly the sustained value of Internet firms? It is totally based on desires and expectations. They can also be real ones.

In Finland the situation is at once somewhat similar and somewhat different, but a sudden drop in the value of information sector shares would affect our country without regard to such national differences. In large part, Finland's economy is running on the strength of one field and, within that field, one product - the flip phone and its associated infrastructure. Of our exports, almost a fourth will soon be from the telecommunications sector, led by Nokia. Without Nokia, our stock exchange would be lifeless. According to Managing Director Jorma Ollila, Nokia had a "historic" 1998. Total sales increased by more than 50 per cent and profit by 75 per cent. The company became the clear world leader in the manufacture of cellular phones. If Nokia's growth continues at 30 per cent a year, total sales will be greater than the entire state budget by summer 2001. Nokia's 1998 sales were almost FIM 80 billion, which is close to 15 per cent of Finland's GDP.

Almost every fourth cellular phone sold last year was a Nokia product. Nokia differs from the U.S. e-commerce companies in that flip phones and telemessaging systems are genuine commodities - metal, chips and demanding engineering in every millimetre. The demand is real. The growth potential of communications and IT fields is immense. Right now there are only 250 million flip phones in the world, but there are expected to be 1 billion users by 2005. Fewer than 1 per cent of the world's people have Internet connections. Only 15 per cent of the world's office workers have personal computers, and of them only 10 per cent have Internet e-mail and 7 per cent access to the worldwide web. Finnish electronic products thus have and have not much to do with the virtual world.

We should note, however, that zero growth, or even shrinkage, is meanwhile being forecast for other sectors in Finland. Even in telecommunications, we can perhaps discern a feature considered universal in today's production and economics: in the global competition, it is more and more clear that there will be only one winner. The United States' Motorola, which had long led the worldwide statistics, has been forced to dismiss tens of thousands of workers. Sweden's Ericsson announced on 25 January that it would eliminate 11 000 jobs within two years. The company employs 104 000 workers, of whom somewhat fewer than 45 000 work in Sweden. The reduction thus represents 10 per cent of the total payroll. However, both Ericsson and Motorola are concentrating on new products in the field, so that the competition will continue as before - mercilessly.

Giants of information technology (including Microsoft) are all working hard for new Multimedia-products. For instance, Nokia's Personal Mobile Multimedia (PMM) means that you can have PC, Internet, e-mail, fax, pictures, graphics and other multimedia services in the same mobile. Applications such as mobile multimedia team collaboration and wireless videoconferencing will be commonplace and electronic commerce will boom. There will also be an ever-growing variety of information and entertainment packages available to consumers on the move as well as a wide range of sophisticated personal, location-based, interactive services.

But, competition is really hard. Perhaps the Committee for the Future, in its latest, 1998, report, offers us some wisdom: *"Big fish swim in still waters. It is good to flow with the current, but new and great discoveries may be made elsewhere. Whoever is one stride ahead of the pack, as the century closes, in the leftover sectors of the late 1900s, will be at least as big a victor as whoever takes the IT laurels - the object of the great race in all the developed countries."*

**7) Would a broad sense of stakeholding in the world of the stock market help people to understand, and thereby to promote or resist, the development and impacts of the new information economy?**

A few Finnish news items from this January. The country's largest producer and distributor of food products, Valio, announced at the beginning of the month that, even after its most recent rigorous downsizing, it would be dismissing another 500 workers. In the paper industry, so important to Finns, the new, global enterprise born of the merger between Sweden's Stora and Finland's Enso is dismissing thousands of workers, even though Enso had already got itself down to fighting weight before the merger. By international standards the numbers are small, but, taking into account the cutbacks we have already seen in other sectors, almost every family will feel the pain of the international competition's downside. In the wake of the dismissals, the financial status of the companies is improving.

In the Nordic countries and many countries in the heart of Europe, business operations have traditionally been domestic, state-supported and family-based. Even when an enterprise has become a listed, international company, domestic ownership of the share capital has been considered vital. The 1990s have seen a great change. The most successful companies are now global in terms of ownership base, too. In Finland we have seen that happen even with our banks. In Sweden, the Wallenberg family, which for decades has been at the heart of economic life, has lost partly its position as an owner. The auto industry - the pride of Sweden - underwent the change most recently, as Volvo merged with Ford.

What do the impacts of mergers in the global economy have to do with the theme of the congress? A lot.

It is one assumption of democracy that the people must have some sort of understanding of issues. A grasp of the economic and social changes wrought by the information society and the digitalized global economy will be best enhanced if the people themselves participate in the economy's functions. We need personal experience. Through such experience and understanding, one can then take a real position, pro or con, on the issues.

In order for Finns and Europeans in general to be able to understand our era's characteristic big-business mergers and downsizing, for example by utilizing modern information technology, ordinary citizens would have to own stock, too. Through their own stakeholding, people would become familiar with the operating logic of contemporary business. There would be more realism. As things stand, only about 10 per cent of Finns understand stock-market investing well, and only about 5 per cent understand mutual fund investing. 60 per cent of money of the Finnish families is kept in a bank. Naturally, there are many obstacles for "new shareholding". Every Finn knows that in Finland you have to pay a lot for housing, especially when most Finns own their houses or apartments. In a very new study it came out that in Sweden people reach the standard of housing they desire at the age of 40, in USA at the age of 30, but in Finland it takes a lifetime.

It is quite another question whether, on the basis of one's information and experience, one accepts the strict production and rationalization requirements of the increasingly tough international competition. Opposition also derives power from both an understanding of issues

and control over the course of events. One can for example demand balancing mechanisms, buffers or protective devices to forestall or lessen the corporate economy's impacts, which are undeniably unhealthy from the human perspective and, in the longer term, are destructive from the standpoint of the national economy, too.

### **8) Can we accept the values of global economy or the methods of an American-style corporate governance?**

I would like to continue a little bit about the values of the information society. In simplified terms, the fundamental difference in ways of thinking - depending on whether one is a worker or a stockholder - can be depicted as follows. An ordinary worker who has no personal interest in the corporate or national economy considers the aforementioned mergers, dismissals and automation unjust and wrong, while the companies are in the meantime bringing in bigger and bigger profits and doling out surplus millions to reward their directors. The worker naturally views matters in terms of job security. Shareholders are obliged to monitor competitive situations in the global economy. Since they are seeking a return on the money they have invested, the shareholders demand that the firm produce a profit and not waste money: unprofitable production must be eliminated. From the shareholder's viewpoint, wealth is maximized by reducing the firm's operating expenses. The means to that end include eliminating jobs and refraining from investment. Extravagant option schemes for directors are viewed as improving the financial result.

Researchers in the field speak of two diametrically opposed business management formats (corporate governance): the U.S. system, which is based on maximizing the return to shareholders; and the German-Japanese system, which maximizes benefits to stakeholders. The U.S. system is characterized by the centrality of the stock market, the broad dispersion of ownership, strong and demanding institutional owners, effective protection of minority shareholders, corporate takeovers, the independence of board members, and high-powered management-incentive schemes. The German-Japanese system is characterized by the centrality of banks, concentrated share ownership, bank ownership in other companies, cross-ownership of companies, company representation on the boards of other companies, poor protection of minority shareholders, and the possibility for stakeholders other than shareholders to participate in and influence decision-making.

With the legalization of broad foreign ownership, the U.S. model has found its way to Finland. Up until the mid-1990s, annual reports from listed companies talked about trying to increase self-sufficiency and customer satisfaction while seeking growth at the same time. The 1997 reports indicate a change: the quick growth of the value of shareholders' investments and creating added value for owners have emerged as the primary objectives. Lay-offs and dismissals, widespread criticism of option arrangements, a breakdown in the oversight of management functions, weakness of investment, and, especially in the case of research-based enterprises, the impatience of owners have become problems in Finland.

In Finland, as in many other northern countries, we are used to some kind of state-ownership or anyway strong democratic control in the economy. Finland has until the end of 1990 been in OECD's or UN's statistics one of the most equal countries in the world measured

by incomes, wealth or capital. In this new era of global markets, virtual commerce in cyberspace and the EU, there are quite new phenomena, which most of Finns feel are against the Scandinavian welfare-model and its common values of fairness and equality. One is huge salaries or special options of directors in the Finnish firms, which act globally. Another one is the gap between national politicians or civil servants and those who work for the EU. These two elite groups earn such large sums of money that Finnish people cannot understand.

This conflict is connected strongly to new values of the information society. It is said that solidarity is certainly not a basic value in the beginning of 21st century. The Committee for the Future has discussed this problem as a trouble spot in the welfare system in its latest 1998 committee report entitled *A change in social solidarity?*

### **9) Is there any possibility for small intellectual units among global giants?**

It is said that in this time of the Internet innovation is more and more important in the global economy. It is also said that most valuable innovative thinking is happening in small units. Most creative intellectual work needs an atmosphere free of all these factors typical to giant global firms—a push for results, tight competition, foreign ownership without other commitment than money, many levels of decision-making and hierarchy. Isn't this totally contrary to the present wave of global fusions and corporate mergers? Perhaps there are two levels of the digital economy. Ideas flourish at the level of young people working as free as possible in small units. When ideas and intellectual products need the support of big money for R&D, applied technology and marketing, the work is moved to the level of global giants. This kind of sharing of work is possible in the information society better than ever before.

### **10) Is it true that, with the Internet, e-mail, cellular phones and other gadgets, our every move can be monitored, our every conversation overheard?**

The congress did not deal extensively with this issue. Each one of us has read very convincing articles and reports (the EU's, for example) on how technology makes it possible to overhear, report on and record everything. Many new technology devices and systems were originally developed for military and security-policy purposes.

So who's in control? Will ownership of the secrets of information technology determine who runs the world? Here again, the question is one of democracy and fundamental human rights.

### **11) Aren't Internet offerings which people find attractive important in the initial stage?**

It has been forecast that, by the beginning of the 21st century, virtually everyone who is working and anyone who needs services will have to know how to use a computer to look for information and take care of personal business. The Internet is a good means of increasing equality - but only when people use it.

Every fifth American uses the Internet to get the daily news and weather forecast. Demand for local news has increased the most. In 1996, only 27 per cent looked on the Internet for information on local events. In 1998 the figure was 42 per cent.

Many Europeans, accustomed as they are to national and international news in their own countries, have been horrified at the provincialism of U.S. news reports and, having seen the above figures, will be further horrified at the Internet's negative impacts. The essential point, however, is that a majority of the population, young and old, have become acquainted with the computer and modern technology. If people do not consent or know how to turn on a computer, as is often the case in many European countries, they will never be able to look for valuable, high-quality information, either. First, the initial threshold must be crossed - then we can talk about raising the quality level.

If ordinary people - the majority of humanity - are interested in local issues, they must be given local issues. Nothing will prevent providers from offering mathematics lessons as distance learning at a subsequent stage.

## **12) Is there any reason to stop the introduction of electronic citizen's cards?**

Civil servants, especially jurists, are concerned about the deleterious impacts of the electronic business-transaction cards and citizen's smart cards which are now under development. Threats are being seen with respect to security, equality, employment and many other questions. For these reasons - and, moreover, in view of popular resistance - Denmark put an end to its interior ministry's citizen's card project on 1 October 1996. Opposition has been evident in Sweden, too. In Germany a law has been drafted on the card project, while the EU has for years been preparing directives whose basic concern is reliability.

As always with technology, you cannot stop the development by norms or by politics. When in Denmark and in Sweden politicians and authorities in the public sector rejected or criticized the electronic citizen card projects, the work continued in the private sector. At the moment there are a lot of unofficial co-operation especially between Finnish, Swedish and Norwegian innovators. I predict the system of electronic citizen's cards will be functioning very broadly in Scandinavia in a short time.

The Finnish Council of State decided in principle on February 5, 1998 to introduce an electronic citizen's card for all Finns. The program is presently under preparation at the civil-servant level. The card will be in action on 1st December 1999.

Juridical tenability is an important issue. We should remember, however, that cards are already in use in private commerce. I learned personally how far the United States has gone in the use of credit cards when I tried to book a hotel room without one. I gave up my Visa card five years ago, considering it unnecessary baggage. I've used cash and fared well on numerous journeys in Europe and Asia since then, enjoying my trips without worrying about the loss and possible abuse of my credit cards. I had to get a card again, however, when I couldn't even book a hotel room in Washington. I tried to pay cash at the hotel's reception desk, but that didn't work.

In Finland as elsewhere, people are already buying plenty of things on the Internet. Our family buys all its shares - not a great number of them, admittedly - on the Internet. Questions of law, security, equality and privacy have sometimes entered my mind, but the benefits of saving time and money, for example, have been too great to refuse.

The same goes for public services. If the benefit to the citizen is indisputable, it is wrong to forestall progress on the grounds that the system is not idiot-proof. The problems simply have to be solved quickly. They can also be resolved as they appear. If we suppose that we shall first plan out everything to fit in nicely with the fine print of the law, progress will grind to a halt. That leeway may not exist in Finland or Europe generally.

The citizen's smart card is only a tool, but it will be indispensable, if we wish to enhance services and equality while at the same time taking the scarcity of public resources into account. Canada has gone the furthest in transferring public services to the Internet. The Canadian Government concluded a few years ago that there was no more money and ordered the government's offices and departments to combine functions and utilize opportunities for transacting business electronically. The order went out to the local level: *"You may organize yourselves as you wish, establish citizen's service kiosks, work with banks and the post office. It makes no difference how you do it, if it works."* The benefit derived from the closure of useless offices and the elimination of costly, time-consuming bureaucratic handling appears to have been substantial.

Is there any excuse to avoid using electronic citizen's card? It will be more difficult every day. In the near future in almost every home you will have some of the technical tools—PCs, television or mobile phones—for handling your business or administrative affairs by electronic cards. The savings in bureaucracy are huge. It is estimated that the minimum costs of a worker at the level of customer-service in the public sector is in a year 300,000 Finnish marks (60,000 dollars). What could be acceptable grounds for using taxpayers' money for slow old-fashioned personal services that can be easily, equally and in time given via Internet for active citizens who can use modern technology? We need personal services much more for children and elderly people. I do not deny the difficult and sensitive problem of employment, but I do not believe that the solution is in old-fashioned structures.

In the opening session Keith Todd (CEO of ICL, a data technology firm) urged the Finnish Parliament's Committee for the Future to delete from its report a statement which demands that Finland be developed into an information society laboratory. People rarely want to live in laboratories, he notes. I am not so sure about it. Globalization and modern technology has been a great success for Finland. We have got a new kind of welfare. I think we Finns are living already in an information laboratory.

It is said that Nokia needs its home market—5 million Finns—to test its new telecommunications products. More important is to test new information society ideas. Finns are one of the world's best educated people. Young and old are keen on new technology. It is important to remember that we are not talking about a laboratory for biotechnology or medicine. Information technology could not harm anybody. It is made of metal, engineering and knowledge.

An example of the Finnish information laboratory concerning electronic citizen's cards and e-commerce was launched just when I was writing this text—a digital signature. On Thursday February 18, 1999 Sonera, Finland's largest telecommunications operator, announced the introduction of the first-ever digital signature technology for wireless networks based in the SIM card found in mobile handsets. According to Sonera, the new technology makes possible both the reliable identification of a customer and the encryption of message content. For instance the banking and finance sector has been very interested in digital signature concepts because banking services, which are rapidly shifting their focus to the Internet, require highly-sophisticated security solutions.

### **13) A citizen's smart card - hasn't it connections also to electronic commerce?**

Attitudes to modern technology are important also when we talk about possibilities of electronic commerce and ways to control it. If we in Europe or in Scandinavia are making rules that are too tight for commerce via Internet or other electronic tools of business, perhaps we are closing doors not only for modern commerce and technology but also for customers.

The value of electronic commerce in the world was in 1998 150 billion Finnish marks (30 billion dollars). It is estimated to grow to be ten times bigger in a few years. Internet has made it possible for everybody to buy and sell without frontiers.

It is basically a question of interests of customers and citizens. Electronic commerce widens freedom of choice and it brings down prices. If laws and rules are too complicated and tight because we try to use the same rules for electronic commerce as for normal commerce, it is a customer who will suffer most.

### **14) Will Europe's excessive respect for the law and humanism hinder the continent's development?**

Europe offers numerous examples of how our firm tradition of respect for the law and humanism hinders development. Sometimes that hindrance has worked to the good, but perhaps more often it has not.

The activities of the European Union are almost exclusively a matter of jurisprudence. The EU's substance, procedures and modes of guidance are juridical - and it is here that one of the most dangerous threats to the 21st century information society and its economy lurks. In the name of democracy, humanism, and the agendas of all manner of individuals and interest groups, Europe is creating too many barriers to the creativity and innovation which are prerequisites for prosperity.

I'll take a few examples from this decade. I haven't determined how true the widely presented claims are, but they appear to have some substance. When I was doing a year of research work in Germany at the beginning of the decade, all of that country's political parties, at the instigation of the powerful Greens, were criticizing developments in biotechnology and genetic research. Competition bans for athletes were issued; orders, restrictions and instructions

were given; and the citizens were roused to oppose research and product development in the field. The biotechnology industry very quickly moved its production and, especially, its research and product development out of Germany and, indeed, just to be safe, out of Europe altogether. In no field do prohibitions stop research. The activity simply seeks out an unrestricted environment somewhere else. Innovation, creativity, science and research require freedom.

I asked some experts why telecommunications and information technology have progressed vigorously in Finland and Sweden, in contrast to Denmark, where the foundation is similar. I got the following sort of response. In the early 1990s, when research and production in the field were seeking a location, Denmark had a strong need to regulate IT more strictly than even the EU directives did. Experts in the field left the country. Companies didn't dare take the risk that Denmark imposed. They invested instead in countries where the legislation was lax.

I suppose Finland has tried as carefully as possible to regulate the information sector appropriately. Care has been taken to avoid enacting any norms more restrictive than the average in EU countries; at the same time, Finland has never sought, through excessively lax regulation, to give the image of a cheap country. Confronted by such an image, exacting research and product-development investors accustomed to top expertise, good infrastructure and dependable, incorruptible administration go elsewhere.

#### **15) What does new IT business and investment activity demand from the target country?**

In information technology, quality is an absolute requirement. The same holds for many other fields, since, in the global competition, the best in the world will not be produced without the best education, working environment, management, and living conditions - the best environment for oneself and one's family. The better-educated the experts in the firm or field, the tougher the demands that will be placed on the place of investment.

On January 1-15, 1999 U.S. Vice President Al Gore held a major global forum in Washington on reinventing government. One of the leading ideas was that investors today are demanding a safe target and environment for their investment money. For example, both the public administration and, more generally, the infrastructure which the government cares for and which guarantees quality must be in order. In this context, the undisputed advantages of the Nordic welfare state model came up. While Denmark, as a Nordic country, may have absorbed some criticism earlier in my remarks, the Washington forum spoke of Denmark as a model country. As an incorrigible sceptic I must however remind you that we need to determine whether payroll deductions from a declining number of young taxpayers in the Nordic region will suffice to defray the social-security burden which is falling on them - especially if international businesses assume that they're getting a free lunch.

The capital accumulating in the Western countries - in the United States, the pension funds being piled up by an increasingly wealthy aging population in particular - is taking an ever closer view of whether, for example, the country in question is corrupt or not. The more vulnerable the expertise capital, scientific knowledge and research in question, the more exactly this impediment to successful business operations will be investigated and assessed before the investment decision is made.

**16) What sort of structural reforms in social policy should be instituted so as to enhance equality, or at least its prerequisites, in the information society?**

At the congress, Finnish President Martti Ahtisaari said,

*"I shall take one example of a matter on which I have not yet reached a conclusion of my own. In order to increase equality, it might be a good idea to begin teaching all Finnish children aged three to four English alongside their mother tongue at kindergartens. If we think of the best interests of the nation as a whole, a good command of English could be nearly as important a precondition for equality in the digital global economy of the 21st century as universal literacy and elementary education for all were in the past."*

He added a number of understandable doubts, asking for example whether the future competition will be so tough *"that we shall have to harness our children into intensive training while they are still toddlers."*

This idea warrants thorough analysis, the more so in view of the huge fear in Finland that only the smartest will survive in the information society. Lately there have been very few structurally oriented proposals designed to ensure equal economic and social opportunities.

Some years ago, when I visited Singapore with the Parliament of Finland's Labour Committee I was impressed with some of the very structural reforms they had made with the information society in mind. One such reform was summarized by the slogan "Excellent English language skills for every child." My hosts told me they teach children English in kindergarten. The aim is to guarantee every citizen the same basic skills in a modern world. English is the language of trade, science, global business, banking, communication and, of course, the Internet. Singaporeans told me that their children learn excellent English easily by playing and singing, without any kind of stress.

Singapore is ranked consistently by the World Economic Forum as the most competitive nation in the world. It has created in a short time a fine information technology infrastructure and a per capita income exceeding that of the United Kingdom. Opinions differ how this small island, which in the middle of the 1960s got its independence from Britain and the Malaysian federation, could in thirty years become a leading global entrepot and a centre of Asian information development. One explanation is common: the powerful leverage of brainpower and human capital, and the virtuous circle of investing in the knowledge stock of its people. Singapore is a remarkable success in spite of its problems that we in Europe are very aware of with democracy and a totally different kind of *law and order*.

In Helsinki, I put my three children in a French school, even though my husband and I could only then speak simple sentences in French. When they began their schooling, at the age of five, my children learned to read and write French first - and Finnish only afterwards. No problem.

One more example: This time it is an effort to support structural social innovations through politics. Vice President Gore stated at the end of January that, with the IT<sup>2</sup> project, the Clinton administration would put an additional US \$368 million into IT development. The aims

include putting a PC in every classroom and introducing an Internet a thousand times faster than today's, for the use especially of science.

A rational idea?

### **17) Do U.S. attitudes constitute an impediment to the development of information technology in Europe?**

I've never studied or worked in the United States, and have no other ties to the country. I take a critical view of many of the country's social arrangements and developmental features. On the other hand, I openly admire certain features of the United States, a huge and diverse nation of 275 million. The object of my admiration is the skill with which science, technology, the economy and job creation have been forged into a mutually supportive structure that has increased wealth and well-being in the 1990s, in spite of the worldwide recession of the early 90s and the more recent economic crises in Asia. I concede at the same time that this feature, more closely examined from the perspective of Nordic social equality, involves many problems. From the ordinary citizen's viewpoint, however, the most important thing is the right to work, to be useful - and only the United States has been able to fulfil this basic need for its citizens.

I am not now talking about how democratic and equal has been the distribution of results of work, income and success.

I understand the sharply negative, repudiating attitudes which Europe's political leaders, civil servants, researchers and other influential persons take towards the U.S. social model - but I do not understand at all why we should close our eyes to the country's success in technology, economic life, and the world of information. I'd like to cite a few recent examples from my own life.

When I worked at the European Union for three months in the summer of 1998, I was amazed at the uncommunicativeness associated with data systems, expert networks and information in general. It seemed that, for the EU civil servant, the world ended at the shores of Europe. Yet, in those matters of future importance which I was following more closely in Brussels, it was obvious that the most sophisticated models and the latest information were coming from the United States. Since the civil service did not even have sufficient technical links - including the Internet - how could the content of the new internationalism even have reached Brussels? When I was doing preparatory work in Brussels on themes for the *Politics and Internet Congress*, and was looking for speakers, I often, without at first noticing it, wound up asking myself if the U.S. people were getting too much speaking time. The pressure came from around me. It is said that when a major international seminar is being organized in Finland, and especially if the EU is helping to defray the costs, a special view is taken of both U.S. experts and even Finns who are working as researchers in the United States as well as Finland. The balance is important.

The desire to defend European values and one's own language and culture is most firmly established in those European countries that can boast of a glorious history as superpowers. By contrast, in the Nordic world view, one perceives a desire to defend this very young, Nordic,

state-driven social welfare model, which the U.S. model is seen as displacing, by treating the whole subject as something negligible: if we aren't talking about the problem, it must not exist.

Information and skill know no frontiers, no shackles. If we close off access to information, deny the chance to excel, and avert our eyes, ears and minds from understanding and wisdom, we shall return to the Dark Ages.

Especially in the information society of the 21st century, Europe will not be at liberty to leave unutilized any information, ability or expertise - whatever social system it comes from, whatever its language or cultural context. The competition has been, and will continue to be, merciless. Once its economy is in order, a society can promise people other good things - unless it consciously decides to get off the treadmill of competition and know-how.

### **18) Isn't it also a question of power and hegemony?**

When we ponder the issues and drawbacks of the Internet and information technology in general, we find ourselves discussing power, leadership and hegemony - age-old issues indeed. In the background, meanwhile, the battle rages. Why? The information revolution is affecting power in terms of resources rather than behaviour. It is said that in the 18th-century European balance of power, territory, population and agriculture provided a basis for establishing armies of foot soldiers. France was a principal beneficiary. In the 19th century, industrial capacity provided the resources that enabled Britain and, later, Germany to gain dominance. In the middle of the 20th century, science and especially nuclear physics contributed crucial power resources to the United States and the Soviet Union. Broadly defined, information technology and knowledge management are together likely to constitute the most important power resource in the century ahead.

### **Summa summarum.**

In responding from a Finnish perspective to the question which the title of my article poses on the prospects of the Nordic welfare state model in the information society of the 21st century, I would note that no model is so good that it does not need to be changed when the world changes. Further, as a small but flexible modern society, in which faith in knowledge is strong, Finland should try to combine the best aspects of the U.S. and European information societies. Contrary to what we might at first glance assume, this path will demand constant choices, and they will by no means be easy ones. There are no ready models, and I would not urge a reliance on authorities.

The problems are manifold. The role of politics is not an easy one. That is why it is very important that we have in the Finnish Parliament the Committee for the Future.

In Finland at least, the engineers - IT engineers in particular - have made good use of their innovative talents. They have pondered and experimented, renewed themselves and invented new things. In many fields they have also rationalized and in all respects rejuvenated long production processes from beginning to end, very efficiently, in terms of the assumptions and objectives of economy, production and technology.

My desire to get those who ponder social issues moving on information society questions is based on my feeling that, alongside the technological innovations, we sorely need social reforms - the more so as technology and the economy become ever more dominant. The role of government and civil servants in the work of social innovation is demanding for the simple reason that there are plenty of influential civil servants. Both politicians and civil servants exercise power vicariously over other people. For that reason they also have a greater responsibility for the future we all share.

The Committee for the Future suspects that even the whole information society undertaking will fail in Finland if we progress only in the realm of information technology and the society as such fails to renew itself in concordant fashion.

There continues to be a great need for democracy and work. For that reason, let me end my glimpse into the world of the Internet with a statement from the Committee for the Future's web pages:

*"What love and democracy have in common is that we all want them, but seldom understand that we must work hard for them."*

Disclaimer: This article does not necessarily reflect the views of any of the 17 members of the Committee for the Future in the Finnish Parliament

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#### **COMMITTEE FOR THE FUTURE GAINS ESTABLISHED STATUS Parliament adopted its new Standing Orders on 17.12.1999.**

The revision of the Standing Orders is linked with the new Constitution of Finland that enters into force on 1.3.2000.

In the revised Standing Orders, and in accordance with a proposal of the Speakers' Council, the status of the Committee for the Future is changed to permanent rather than temporary. The matter had to be put to a vote, because the Constitutional Law Committee did not consider permanent status necessary. The decision was reached by a vote of 96 - 73.

The Committee for the Future was first appointed on a temporary basis in 1993. The decision to institute it was reached on Parliament's own initiative, in particular after Deputies Eero Paloheimo and Martti Tiuri had in 1992 demanded that the Government give Parliament a report on the future. When Parliament deliberated the Government's report, it required that a separate body, i.e. a committee, be established under its own roof to deal with matters of this nature.

The Committee for the Future has the task of pondering prospects for the future and any problems to be anticipated. This it does by deliberating the reports received from the Government and drafting the statements that Parliament issues in relation to these reports. It also monitors research and development in the field, in addition to assessing the impacts on society of evolving technology and commissioning reports on this subject.

The Committee for the Future has 17 members and is chaired by Deputy Martti Tiuri.

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