

Research
Programme for
the Economic
Crisis of the 1990s:
REASONS, EVENTS
AND CONSEQUENCES
1998-2001
EVALUATION REPORT



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Evaluation Panel:

Professor Tor Eriksson, The Aarhus School of Business

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Professor Olle Krantz, University of Umeå

Academy of Finland in brief

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Preface

The Academy of Finland organised during 1998-2001 a research programme on the economic crisis of the 1990s in Finland. The main aim of the programme was to boost research on the economic crisis on a broad basis. The events, causes, and consequences of the crisis were to be taken into consideration. The desire was for research to indicate whether the crisis had left some permanent traces in society, or if the shadow of the recession had already disappeared. Especially valuable would be results showing the lessons to be learned from the crisis. Through these answers, the findings of the research programme could be used in the economic and social decision-making in society.

According to the scientific practice of the Academy of Finland, an international evaluation of the programme has been conducted. The evaluation team consisted of three international scholars: Professor Walter Korpi from the University of Stockholm (Chairman), Professor Tor Eriksson from the University of Aarhus and Professor Olle Kranz from the University of Umeå.

The Academy of Finland proposed that the evaluators in their assessment, as far as possible, pay attention to the following:

- To what extent have the initial goals set in the programme document been met;
- Has the programme concept been a feasible way of organising research work; an important part of which is the evaluation of the co-ordination of the programme;
- An evaluation of the results and, if possible, impact of the research projects included in the programme;
- Researcher training;
- The influence of the programme as a whole in the development of science and/or society;
- Domestic and international co-operation

Even if the quality of a large research programme inevitably varies, the programme has been successful in involving eminent researchers from several disciplines to study different aspects of the Finnish depression of the 1990s. One area, which has not received sufficient attention, concerns the causes of the crisis. The reason for this is simply that there were no applications aiming at that target. In order to avoid shortcomings like this, the evaluators recommend that co-ordinators should have an independent budget of some importance. According to the evaluators, the programme has made major contributions by highlighting and analysing central aspects of societal development, and by providing excellent material for scholarly and political debate on the crisis.

On behalf of the Research Council for Culture and Society, I have a great pleasure to express our gratitude to the evaluators. We are grateful for the comments made on the research projects, and also for the valuable suggestions for developing the programme practice of the Academy of Finland.

Helsinki, August 5, 2002

Paavo Okko
Chairman of the programme steering group

1. Introduction

The last quarter of the twentieth century saw major changes in the economies of Western societies, the most dramatic ones being the return of mass unemployment and in connection therewith high inflation and volatile exchange rates. In most countries of continental Europe, unemployment had escalated greatly already by the early 1980s. In a few countries, among them Finland and Sweden, the drastic increase in unemployment was delayed and came in the first years of the 1990s. The Finnish economic crisis during the 1990s was extremely severe, something indicated by the fact that gross domestic product dropped more and for a longer period than during the depression in the early 1930s. In Finland this period must be described as a depression and has become widely referred to by the use of the Finnish term 'lama'.

Against the background of the seriousness of the Finnish crisis, it was eminently well considered by the Research Council for Culture and Society of the Academy of Finland to initiate a research programme focusing on multi-disciplinary research to cover broad aspects of developments in Finland during these years. Our task has been to evaluate this programme, *The Economic Crisis of the 1990s: Reasons, Events and Consequences*. Our evaluation of the achievements and problems of the programme is based on our reading of the reports published by the Government Institute for Economic Research (*VATT*) and of selected publications by different research teams within the programme, as well as on our participation in its final seminar in Helsinki on March 11, 2002.

The evaluation report is organised in the following way. In section 2, we summarise the history and the internal organisation of the programme. Section 3 discusses research areas and topics in terms of breadth and lacunae. In section 4 we review the extent to which the programme has utilised cross-disciplinary research. Section 5 discusses problems with comparative research and international co-operation. Section 6 briefly looks at the consequences of the crisis. Section 7 discusses the publication record of the programme, and Section 8 the role of the programme in researcher training. Section 9 gives an overall evaluation of the programme. Section 10 concludes the report with a summary of recommendations to the Academy of Finland.

2. Programme Organisation

As a background to the following discussion it is helpful to recall some facts. The research on the economic crisis of the 1990s was organised as a programme rather than as a series of independent projects in order to concentrate economic resources into the study of this area but also to make possible an assessment of the crisis as an economic, political, social and cultural phenomenon, something obviously requiring multi-disciplinary research. The programme was thus intended to facilitate and generate co-operation among disciplines and to cover central aspects of the depression from different research perspectives.

Decisions on the starting of this research programme was made by the Research Council for Culture and Society in the spring of 1997 with a budget of EUR 4.2 million, until then the largest social science research programme of the Academy. The programme period was to be 1998-2001. A steering committee was appointed, and applications for projects within the programme were invited. In the fall of 1997 from about 70 preliminary research proposals this committee selected a number for final applications, which were evaluated by experts. Finally some 25 proposals were approved by the Research Council in March 1998. As an institutional basis for the programme, this committee chose the *VATT*. The principal co-ordinator of the programme, Jaakko Kiander, was appointed in the fall of 1997, when the final competitors for grants had been selected.

The initial goals set for the programme were broad and at the same time ambitious. Thus, for example, the Academy set as objectives for the programme that it should be multi- or cross-disciplinary and of use for decision-making. Moreover, it should “cover a wide range of topics, extend sufficiently far backwards and forwards in time, and make use of international comparison”. As for the themes covered by the programme, they were expected to “examine the economic crisis not only at the level of society as a whole and different political factions but also from the perspective of households, individuals and companies”. In the following, we will discuss the results of the programme roughly in terms of the way in which they are presented in the programme document (pp. 12 ff).

3. Topics and Areas of Research

In terms of the goal that the programme should cover a wide range of topics, it has clearly been successful. The topics covered are too many to here be enumerated, and it is difficult to point at important areas that have been entirely disregarded. The programme has included a broad selection of disciplines in the social sciences and the humanities among its separate research groups. Researchers within the programme thus represent economics, economic history, political history, psychology, social policy and sociology. Yet one notes that some potentially relevant disciplines, such as political science, did not come to be represented.

Another goal was that research should extend sufficiently far backwards in time. Within the programme historians with various specialisations have compared the crisis of the 1990s with previous ones during the twentieth century, that is 1914-19, 1929-32, 1953-58, and 1975-77. It is made clear in the writings of the project that the characteristics of these episodes differ greatly. The social historical project extends even further back in time, to the famine years of the 1860s.

One area which in our view has received insufficient attention concerns the causes of the crisis. The programme document states: "If successful, the research programme could reveal whether the Finnish recession was merely an unfortunate outcome of historical coincidences or the manifestation of structural problems that had been building up for a long time" (pp.12-13). This formulation reflected the 'official' view in the mid-nineties that the exceptionally deep crisis was mainly due to structural or systemic failures of the Finnish economy. The single sub-project concerned with the causes of the crisis also takes a rather narrow focus on the supply side. To a significant extent this gap has, however, been filled by the programme co-ordinator, Jaakko Kiander, who admirably has contributed several publications that take a broader view than the one pointed to in the programme. Several of the subprojects have also opened up for a broader perspective on the causes of and mechanisms underlying the economic crisis than the original plan did.

4. Cross-Disciplinary Research

According to the programme, research topics should be examined from the perspectives of different disciplines and, thus, be multi- or cross-disciplinary. Furthermore it should be carried out by research teams across disciplinary borders. The goal of generating such multi- or cross-disciplinary research was achieved only to a limited extent. In some of the projects and consortia, participation comes from several disciplines. Here the clearly best example is *The Welfare State: A Resource or a Constraint? A Study of the Effects of the Economic Recession*, directed by Olli Kangas and involving research in social policy, political history and economics based in Turku. Another very good example is *Economic Crisis, Job Insecurity and the Household*, directed by Ulla Kinnunen and Jouko Nätti and involving researchers from the departments of psychology, social science and philosophy at Jyväskylä University. Yet most of the projects had single-disciplinary research teams. To various degrees, there was co-operation with researchers outside the projects.

To a large extent the difficulties in reaching the goal of cross-disciplinary research reflects not a failure of the Council or of researchers involved in the programme but rather structural factors deriving from the stress now put on disciplinary specialisation in the social sciences. The growth of cross- and multi-disciplinary research is a long-term process and requires a combination of conditions which are not often at hand, conditions including interest in the same type of social phenomena, closeness in space permitting everyday informal contacts, and good social relations. To an important extent the present outcome was set by the structural factors created in the initial stages of the programme. Once the selection of project proposals and groups was done by the Council, the programme co-ordinator – chosen afterwards with little resources under his control within a relatively short-time programme – has worked to encourage co-operation among related projects and has to some extent been successful in this difficult task. However, to achieve a high degree of cross- and multi-disciplinary research expressed, for example, in multi-disciplinary authorship of articles, it would probably have been necessary to actively recruit applications from already existing research groups of this type.

5. Comparative and International Research

According to the programme, research should make use of international comparisons, which could be one method for isolating the effect of the recession from other factors. International comparisons have, however, been used rather sparingly in the programme. The national perspective is partly understandable given the rather local nature of the crisis; only Sweden was simultaneously experiencing a similar severe and prolonged recession. Yet, the lack of international comparisons, with the few with Sweden as an exception, implies that the potential for a deeper understanding is not fully exploited.

Most of the international comparisons actually made were carried out by the programme co-ordinator, Jaakko Kiander, as part of his work at the *VATT*. This is true also for the treatment of another research problem, namely the role of the collapse of Soviet trade for the depth of the crisis. Even in this case, Kiander is practically the only researcher to have dealt with it.

According to the programme, it should utilise international research co-operation as a way to incorporate the comparative dimension into the analyses. The international research co-operation has differed between projects. As in the case of cross-disciplinarity discussed above, this is a question of varying traditions and previous experiences of international co-operation. Once again the project directed by Olli Kangas provides the best example. In some other cases, a 'foreign network' is listed. It is, however, not clear how much it was utilised and in what way this furthered the treatment of the international dimension.

6. Consequences of the Crisis

According to the programme, research within it should ascertain whether the recession left lasting scars on the Finnish economy and society, as well as provide a firmer basis for assessing society's ability to adapt its behavioural models and the need to modify them. In this context work within the programme has documented the extremely high levels of unemployment and decreased employment/population ratios still remaining in Finland. It has also pointed at the effects on the distribution of income. Inequality of income had been narrowing for a long time up to the late 1980s, but during the course of the crises this trend was reversed into increasing income differences.

In attempts to assess consequences of events and changes such as this economic crisis, relatively large micro-level data sets are invaluable. Labour force surveys and household income surveys have been used within the programme to document changes in labour force status and income distribution discussed above. In this context it would, however, also have been very valuable to compare changes with respect to a larger spectrum of level-of-living indicators, such as those introduced into social science research in the Nordic countries in the 1960s and 1970s. Statistics Finland carried out a level of living survey along these lines in 1986. In Sweden, a parallel evaluation of the effects of the crisis in the 1990s could greatly benefit from level-of-living surveys carried out in 1991 and 2000. It would also have been valuable to Finnish researchers to have had access to such data reflecting the pre-crisis situation and changes during the crisis.

7. Publication Record

The programme has produced a large number of publications in its several sub-projects. These publications have had a considerable impact on the academic as well as the public discussion in Finland. This has been especially true in the more policy-oriented arenas, where the programme has succeeded in invigorating a traditionally not very active debate. The research reports from the programme have not only provided food for thought in the debates; they have also brought issues, such as those related to the income distribution, poverty and long-term unemployment, up on the research agenda. Prior to the mid-nineties, these issues were considerably less discussed in Finnish economic and social research. Some of the work on carefully decomposing the elements behind the changes in the income distribution during the crisis is of high quality and would deserve greater attention in terms of publishing. Also the analysis of regional differences and changes therein is of good international quality and has the potential international publishing. Furthermore, as already noted, the programme also contributed significantly by increasing the variety of views in discussion about the economic crisis.

Some sub-projects have published almost exclusively in national outlets (and in institutional report series). These sub-projects are characterised by a rather low degree of novelty and have done little to interact with other researchers. Within the short time frame of the programme – three years – the building of new contacts and networks is not to be expected on a large scale. Yet the most successful projects, such as the Kangas project discussed above, have not only produced original and high quality research and exposed it to an international readership, but have also been able to collect participants from different disciplines and other academic institutions than the host institutes.

Unfortunately, several of the sub-projects thus have few international publications, and still fewer have published their work in refereed journals. In part this is due to different publication strategies and traditions in different disciplines. Yet in this respect there are apparently also differences between universities (and even more between universities and other research institutions). Some of the research, especially that done as part of dissertation work, will hopefully be published internationally later. Given the potential interest of the international research community in analyses of the exceptionally deep Finnish economic crisis (and of the subsequent recovery), the number of articles written for an international audience could, and should, have been larger.

The programme foresaw that research should result in an all-round monograph produced for international distribution, and placed this responsibility on the co-ordinator. One important step in this direction is taken by the large anthology of research papers, *Down from the Heavens, Up from the Ashes: The Finnish Crisis of the 1990s in Light of Economic and Social Research*, edited by Jorma Kalela, Jaakko Kiander, Ullamaija Kivikuru, Heikki A. Loikkanen and Jussi Simpura. This book can be seen as a joint report from the programme and is an ambitious endeavour.

However, a volume published for an international audience is highly desirable. There is certainly a wide international interest in a final report from the programme. It is, however, not reasonable to expect that the programme co-ordinator would have done it within the time and resources at his disposal. We do see it as highly desirable that resources are provided for an international publication on the results from the programme.

8. Researcher Training

As noted above, the programme has been very successful in recruiting graduate students and younger scholars to work with problems related to the crisis programme. This is undoubtedly an achievement but the question is how this achievement can be consolidated.

In this context we would like to draw attention to some problems with short-term programmes and shifting programme areas when it comes to investment in research potential through training of young scholars. A considerable degree of specialisation during longer time periods is a necessity for the building up of scholarly competence in relevant areas of research. The fostering of capacity in the form of active and competent researchers in an area is a long-term process.

A relevant question is therefore how the younger scholars within this programme can continue their work within the broad areas of research they have now entered. To enable them to continue their focus within these areas, it would be valuable if they could find continued funding opportunities through the Academy instead of having to shift to new programme areas. To the extent that a large proportion of available research funds go to specific and shifting programme areas, a long-term built-up of competence can be counteracted. While we regard the present programme very well motivated, the concern for continuity would appear to indicate a relatively parsimonious use of research funding for specific and shifting programmes so that it does not encroach on possibilities for long-term researcher training within different specializations.

9. Overall Evaluation

With over 20 sub-projects representing six or seven disciplines within the social sciences and the humanities, and moreover, by engaging researchers from several universities and research institutes, the quality of the research carried out within the programme inevitably varies. It must also be noted that for some sub-projects, the programme funding has only constituted a limited part of their total budgets, and that in particular in these cases, the focus on questions related specific to the economic crisis is less clear.

It is, however, obvious that the programme has been clearly successful in involving eminent researchers from several disciplines to study different aspects of the Finnish depression of the 1990s. Thereby the research programme has provided a very good basis for research and policymaking to approach an informed outlook on the multiple aspects of the depression, and has done as well as one realistically could expect in this context. In our view the programme has made major contributions by highlighting and analysing central aspects of societal developments and by providing excellent material for the scholarly and political debate on the crises within Finland. It has supported productive research teams and has provided junior scholars with good opportunities for training in areas of national importance.

10. Recommendations

In programmes of an applied nature as in this one, without giving up its responsibility for quality of research and financing, the Academy should be more flexible in finding ways to stimulate applications from relevant disciplines and research groups. Here a programme co-ordinator, or a steering committee, appointed at an early stage could be given some degree of independence in attempting to recruit applications to fill observed lacunae and to encourage co-operation among researchers. To be effective the co-ordinator should be given an independent budget of some importance.

In finding a balance between financing of programmes and financing of separate projects, special attention should be paid to the consequences for long-term development of research potential within specific areas when the focus of major research programmes keeps shifting. The fostering of research competence is a long-term process and involves long-term investments in specific areas and researchers. If researchers find that to a significant extent major financing is available primarily for short-term projects and in shifting programme areas, this is likely to discourage a deepening of research competence. One possibility to counteract this tendency could be to reserve parts of programme financing, or to encourage applications, for continued work from research groups which have performed well within a programme. In this context it should be remembered that especially development of the cross-disciplinary research is a long-term process.

In allocating money within a research programme of this type, there is always a problem of finding a balance between width and depth. The programme document was clearly in favour of a wide range of topics, something which undoubtedly has its virtues. In retrospect, however, it would perhaps appear to have been wise to concentrate on a more focused and limited set of topics to be covered by larger projects.

A relatively large proportion of research reports within the programme have appeared in report series of departments and research institutes, reports which have only limited circulation and do not reach an international audience. Here the Academy should stress the importance of publication in internationally and nationally published journals.

In the present programme with its central focus on the Finnish depression, it is necessary that a large part of reporting is accessible to readers in Finland. The background to and consequences of the Finnish depression in the 1990s is, however, also of great international interest. It would therefore be very valuable if the Academy could finance an internationally published volume, based for example in the present final report.

The research programme on the crisis of the 1990s has been a good example of the possibilities and problems with the study of social change. In the study of such

change, large micro-level data sets are very valuable, something shown by the use of labour force surveys and household income surveys used within this programme. In this context it is, however, highly desirable to have micro-level data sets of the same type but covering a larger spectrum of important aspects of citizens' life conditions. Such large-scale data sets were introduced in Finland with the level-of-living survey some years ago. It would be a good investment for the future if the Academy supported a continuation of such surveys to be used in forthcoming studies of social change.

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Dr. Jaakko Kiander, Programme Director
Government Institute for Economic Studies
Helsinki
<http://www.vatt.fi>

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Dr. Antti Häkkinen, University of Helsinki
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Prof. Jorma Kalela, University of Turku

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Church sociology and theological ethics

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Changing labour markets and mechanisms of mobility under recession and expanding economy

Prof. Olli Kultalahti, University of Tampere

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Disabled people and the economic depression of the 1990s

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Prof. Leif Åberg and Prof. Ulla-Majja Kivikuru, University of Helsinki

Media research

The Academy of Finland's Research Programme for the Economic Crisis of the 1990s in Finland has been evaluated by an international panel. Altogether 25 projects were funded with a total of EUR 4.2 million during 1998-2000. The programme has made a major contribution by analysing central aspects of societal development and by providing excellent material for the academic and political debate on the crisis. However, international comparisons have been used rather sparingly, which implies that the potential for a deeper understanding has not been fully exploited. Since the Finnish economic crisis of the 1990s is of great international interest, the evaluation panel recommends that more articles should be written for an international research community.

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