Support for break with euro grows within Finnish ruling elite

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As the crisis in the euro zone deepens, with the possibility of a Greek exit, sections of Finland's ruling elite are openly considering ditching the currency.

The driving forces of such discussions are the deepening divisions in the European Union (EU), and within Finland economic stagnation and the prospect of social unrest.

The divisions within the EU have been on display in recent weeks. Leading political figures in Germany are calling for a Greek exit from the common currency if it fails to meet the expectations of the "troika" of the EU, International Monetary Fund (IMF) and European Central Bank (ECB), which will publish a report next month. Although German chancellor Angela Merkel has opposed such calls, she has made clear that ongoing German support for the bailout of Greece is conditional on an intensification of the austerity measures directed against the working class in order to secure debt repayments to the banks.

In this context, the announcement on August 17 by Finland's foreign minister, Erkki Tuomioja, that Helsinki was making preparations for a collapse of the euro currency came as no surprise. Britain's *Daily Telegraph* cited Tuomioja as saying, "We have to face openly the possibility of a euro-break up.... We have to be prepared."

Tuomioja's comments were only the latest of a number calling the future of the euro into question. This provoked a terse response from Italian prime minister Mario Monti earlier in August. In an interview with *Der Spiegel*, Monti claimed, "There are a few countries--and they lie to the north of Germany--who every time we have reached a consensus at the European Council, then say things two days later that call into question this consensus."

Several days after Tuomioja's remarks, the leader of the nationalist Finns Party, Timo Soini, declared his support for the creation of a "northern euro," which would exclude the weaker states to the south.

Soini's party, the third largest in parliament, has seen its right-wing, nationalist conceptions become increasingly integrated into the mainstream of Finnish politics. The response of the government to Soini's proposal was revealing, with the Social Democratic Party (SDP) and its governing partner, the conservative National Coalition Party, indicating their appreciation of Soini's position.

SDP parliamentary group leader Miapetra Kumpula-Natri remarked, "It's wonderful that he [Soini] has some notion of European cooperation, even though the land area would be different."

The growing preparedness within the political establishment to accept a breakup of the euro is reflected in a tendency within business circles to downplay the significance of a Greek, and possibly Spanish or Italian, exit. A study commissioned by the Finnish Central Chamber of Commerce concluded that an exit from the euro of Greece and the other indebted southern European countries would push GDP in Finland down by just 1.5 percent in 2013 and little more than 1 percent in the following year.

The findings prompted Eero Lehto, head of the think tank the Labour Institute of Economic Research to claim that a euro breakup would not be too negative for Finnish business. He held out the forlorn hope that the United States economy would offer some stability, commenting to *Helsingen Sanomat*, "At the same time, capital markets would calm down and the situation would improve in a couple of years. This would also establish preconditions for global growth."

Officially, the coalition government, led by National Coalition Party prime minister Jyrki Katainen and also including the Greens, Left Alliance, Swedish People's Party and Christian Democrats, is in favour of continued support for EU bailouts. In July, Finland's parliament approved the treaty that established the European Stability Mechanism (ESM). Finnish participation is critical to its success, with Helsinki being one of the few euro zone countries that has maintained its AAA credit rating.

But Katainen and the administration in Helsinki have been pushing hard for additional guarantees before committing Finnish capital to bailout programmes, and urging bailout recipients to put up state assets as collateral so that in the event of default, they can be sold off to pay creditors. This is a strategy for the wholesale privatisation and destruction of what remains of public services and government spending, at a time when ever-broader sections of working people depend on such support.

Even with additional guarantees, there are those within the government who no longer want Finland to participate in future bailouts—possibly of Spain, Italy or a second Irish support package. Referring to Finnish bailout commitments, Kumpula-Natri, who is chairman of the Finnish parliament's Grand Committee on Europe, warned, "There is a feeling on the street that there has to be a limit. I can't say whether it is 10 percent of GDP, or what. It's not written. But it is obvious that a small country can't help big countries eternally."

This sentiment is being fuelled by Finland's worsening financial position. Katainen's government is implementing sweeping cuts in state spending in an attempt to balance the budget. Since coming to power in June last year, after lengthy negotiations to reach a coalition deal, €2.5 billion of spending cuts have already been imposed. Further cost-cutting is expected in the budget for next year, along with a number of tax rises including an increase in VAT.

Opening the departmental negotiations over budgetary proposals for 2013, finance minister and SDP leader Jutta Urpilainen told parliament earlier this month she was committed to spending discipline. "We have not gone through any details, but I feel that it is clear that we cannot afford any significant tax breaks or spending increases in this economic situation. The economic situation at the moment is dominated by great uncertainty, and it looks like the European recession is overshadowing the preparation of next year's budget," she told lawmakers.

Economic growth in Finland is extremely fragile and completely dependent on broader developments in Europe. Roughly a third of all exports are destined for the euro area. Estimates suggest that if there is any growth at all this year, it will be less than 1 percent. A steep recession in 2008-2009 saw a contraction of more than 8 percent of GDP, and unemployment has fallen little since then, remaining at close to 8 percent. The budget deficit rose in 2010, prompting a warning from the EU commission, and it has only been reduced to €6.6 billion, roughly 3 percent of GDP, through the implementation of the coalition's austerity measures.

A critical role is being played by the ex-Stalinists of the Left Alliance in attempting to lend the policies of the government a progressive character.

When it joined the coalition last year, the party abandoned any talk of its previously professed opposition to the bailout of European banks, accepting EU bailouts and Finland's participation in them. Left Alliance leader Paavo Arhinmäki hailed the creation of the coalition dominated by the right-wing National Coalition and SDP last June, claiming it offered "the biggest extended hand to the very poorest that has happened in my lifetime."

Since then, his party has backed budget cutting and the bailout of the banks through the EU. It stood aside at the end of last year as the trade unions negotiated a national pay agreement with employers that imposed wage restraint and other concessions.