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Regulating Business: the Emergence of an Economic Crime Control Programme in Finland

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Abstract

In 1966 and 1999, the Finnish Government produced its first two Action Programmes aimed at reducing 'economic crime', a rubric covering a broad range of illegal business activities. The operationalisation of these programmes has entailed considerable resourcing, the passing of new laws, the establishment of new control agencies and methods of working, the development of training and education programmes, and a significant state-funded research effort. The focus of this paper is not on the contours and efficacy of this initiative against economic crime per se. Rather, against a (here, implicit) comparison with the situation of corporate and white-collar crime control in Britain, two central questions are explored: first what were the social, economic and political conditions within which this initiative emerged; and, second, what are the conditions that may sustain this initiative and those which may undermine it - that is, what are its limits? This paper is the first product of an ongoing, collaborative research project, drawing upon a range of textual sources as well as interviews with key figures in the Finnish initiative.

Introduction: The Peculiarities of the Finnish Case

It is widely accepted amongst those researching the area of economic crime¹ that the range of illegalities encompassed within this broad rubric entails far greater social and economic costs than all forms of 'conventional' crime (for a summary of this evidence, see Slapper and Tombs, 1999: 54-84). Equally accepted as conventional wisdom, however, is the fact that control efforts vis-à-vis the former types of illegality tend to be relatively weak: in general, non-enforcement of law designed to control illegal business activity is the norm; enforcement activity tends to focus upon the smallest and weakest individuals and organisations; and sanctions following regulatory activity are light (Snider, 1993: 120-124). Moreover, there is a body of evidence that attests to the contemporary weakening of existent forms of control across advanced capitalist economies (Snider, 2000).

Of course, these latter trends are general only. Moreover, it is clear that the empirical specificities of regulation must be analysed and understood within the context of particular economic, social and political formations (Pearce and Tombs, 2000). In these contexts, Finland provides an interesting case study. On 1st February 1996, the Finnish Government produced its first Action Plan to reduce Economic Crime and the Grey Economy (Finnish Government, 1996). This followed the depression of the early 1990s, one more severe than any experienced in recent years by any other OECD country (Vihriala, 1997), and itself related to widespread collapses amongst banks and some companies, one element of which

was considered to be poor regulation of (Honkapohja et al., 1999) and illegal acts on the part of bank directors and other business people (Alvesalo, 1998b). The Action Plan entailed a formalisation and development of existing forms of co-operation between the police and other enforcement agencies (for example, with tax authorities), the development of new modes of investigation, the passing of new laws which both criminalised, and sought to facilitate more effective control of, economic crime, the establishment of new positions (for example, of prosecutors with expertise in economic crime and a new bankruptcy ombudsman), the institution of new forms of training and education for economic crime investigators, and a significant research programme to examine a variety of phenomena associated with economic crime (see Alvesalo, 1998a). Significant funding was allocated to the initial programme, somewhat less to that which followed in 1999.

In contrast to this series of Finnish initiatives around economic crime, in Britain, in general terms, almost all forms of corporate and white-collar crimes receive relatively scant attention (Slapper and Tombs, 1999: 85-109), although there are some important distinctions between different types of such crimes (Tombs and Whyte, 1999). In general, at every stage of the legal process, in political discourse, and in governmental policy, corporate and white-collar crimes are largely excluded from crime, law and order agendas. Certainly when these do become the object of academic, popular or political focus, they are rarely cast as crimes, but through reference to other forms of anaesthetising language. There is almost no utilisable corporate or white-collar crime data currently collated by state bodies, while efforts to (re)calculate levels of business offending often meet with political and academic hostility (Tombs, 2000); corporate and white-collar crimes are relatively rarely treated within undergraduate or postgraduate programmes, and there are relatively few academics engaged in researching and writing upon the range of issues within this broad rubric. In short, in Britain, popularly, academically, and politically, business illegalities are viewed and treated as quite distinct from 'crimes' (Slapper and Tombs, 1999), while there remains a dominant view that the external regulation of corporate activity is essentially illegitimate (Tombs, 1996).

The central focus of this paper is upon the emergence of the first Action Plan in Finland, produced in 1996. It is deliberately descriptive, aiming to outline the processes and events that allowed this Action Plan to emerge. Even a process of description, since it necessarily involves selection, prioritisation, and so on, must also entail some analytical argument; and, given the provisional nature of the paper and 'findings' herein, we also engage in some speculation. The paper does not intend to track the contours of the initiative beyond 1996 in any detail, though this is a key element of the broader project in which we are engaged². In attempting to delineate the economic, political and social conditions within which this initiative emerged, we raise a series of phenomena to be explained, rather than offering any form of explanation. The paper is the first product of a longer-term project that seeks to examine the nature, limits and sustainability of any generalised attempt to combat economic crime.

The Finnish Initiative to Combat Economic Crime and the Grey Economy

The Action Plan 1996

The Finnish government made a decision of principle to fight economic crime in 1995, and presented an Action Plan in 1996, a three-year programme including a series of proposals for reforms in the control of economic crime and the grey economy. From the beginning of 1998 the programme was extended to last until the year 2001. Reforms have been made on almost all the levels of official control.³ The parliament granted 100 million marks (approximately 20 million US dollars) to the programme 1996-1998 and approximately 53 million marks for 1999-2001. The Ministry of Interior has emphasised that the money invested in control will be multiplied as the damages caused by this type of crime are seized. At the same time, the authorities involved in the action plans arranged a massive advertising campaign against the grey economy. A two-month campaign was launched in September 1996, and a follow-up survey was conducted. The results indicated that the campaign was successful, in the sense

that polls of public attitudes on economic crime and grey economy measured a greater intolerance and harshness after the campaign than before. Another campaign was launched in 1999, but with a much smaller budget and no follow-up survey was conducted.

The opening statement of the 1996 Action programme read thus:

"Besides financial losses, economic crime and grey economy increase, inter alia, unemployment, create uncertainty in the labour market, distort competition between enterprises, loosen the tax morale and improve chances for corruption. Economic crime and black economy have contributed to the weakened public social morale and trust in the judicial order. 'Although the losses resulting from economic crime cannot be exactly valued, economic crime apparently represents an annual loss of billions of marks to the society. According to the research made at Turku University in 1994, the losses of economic crime to the society were 14 billion [14,000,000,000] marks in 1992. The research accomplished in 1995 estimates that the losses of grey economy amount to 20 billion marks, and direct losses to the society to 13 billion marks a year" (The Finnish Government, 1996: 1).

In this statement, economic crime is highlighted as an economic, social and crime problem, causing damage to the material and moral fabric of Finnish society. From this starting point, the Action Plan brought together, and initiated, a series of reforms in legislation, regulatory agencies, enforcement practice, and research activities. We shall refer to each of these areas in brief.

Legislation

A whole raft of legislation has been passed aimed at economic crime. Some of these laws have sought to criminalise various forms of activity in the sphere of, or connected with, economic activity. These include reformed or new criminalisations in the areas of: securities crimes; crimes of the debtor; subsidy fraud; money laundering; and passive tax avoidance. Alongside these new forms of criminalisation have been passed laws which aim to make the control of economic crime more effective - for example, laws regulating bankruptcies, the register of companies, and debt recovery procedure have been passed. The concealment regulation between authorities and bank secrecy had been changed already in the mid 1990's, via various legal changes - the effect of these laws was to render easier the exchange of information across different ministries and enforcement bodies on the suspicion of an offence. The Company Act was altered in 1997, raising the minimum amount of capital required to establish a company from FIM15,000 to FIM50,000. Also, the Company Register Authority was given a right to remove a company from the register if it has not delivered annual statements for registration within a year despite of requests of doing so. By the amendment of 26§ of the Act on Taxation Procedure in 1998, the control of the income directed to abroad was improved by introducing a so-called strengthened burden of proof. In addition, Finnish delegates in the OECD and EU must work in a way that the use of companies of so-called tax havens, as well as the channelling of dividends and other income outside national taxation boundaries, will be restricted. Since the beginning of 2000, the tax authorities have had the right to give information to the police - not only when they suspect a crime has happened, but also in order to prevent a crime. A proposed law regarding confiscating proceeds of crime, based around a reversed burden of proof, has been introduced in this year.

Regulation

The whole organisation of police investigation of economic crime has been reformed and the amount of investigators has multiplied during the past few years. There were about one hundred economic crime investigators within the police at the beginning of nineties; by the end of the decade there were around four hundred. The tax authorities, bailiff's office and customs have all been granted resources for the regulation of economic crime. New positions for public prosecutors specialised in the field of economic crime were established both in 1996 and 1999. The Ministries of Trade and Industry, Social Affairs and Health, and Agriculture each got in total 4 senior inspectors in 1999 for economic crime control.

A special new office was established in 1995 to oversee the administration of bankruptcies. The Bankruptcy Ombudsman was thus charged with the duties of whose duty is the developing of proper practice of administering a bankrupt's estate, the supervision of the administering of bankrupt estates, auditing the accounts and activities of the debtor and undertaking the necessary measures as regards negligence, abuse and other comparable circumstances that have come to her/his knowledge. In the Action Plan 1996 the ombudsman was granted extra resources for the investigation of bankrupt estates (auditing). In 2000 there was established a new national task-force, which includes officials from different authorities, and has as its task to reveal hidden high-level economic crime. This task-force is also planning to develop and use crime analysis and research in planning its strategies for economic crime control.

Enforcement Practices

On-the-ground enforcement has also been subjected to several reforms. The resources granted in both Action Plans to different enforcement bodies have facilitated the development of new ways to control economic crime. The police have developed special courses in their curriculum on how to investigate economic crime, and they have organised numerous seminars on the different issues around economic crime together with other authorities. New ad hoc - and subsequently regularised - organisations and methods for co-operation between different authorities (tax, customs, bailiff, product supervision authority, bankruptcy ombudsman) have been established. The key element of the new control policy has been to attain damages and to control economic crime - not years after they have occurred - but as they are happening. This 'real time' investigation and co-operation between numerous officials has meant that the culture of investigation has changed in cases of economic crime, and all authorities now display greater activity around the problem of economic crime than was the case prior to the Action Plans. The police are also using more coercive means in attempts to control economic crime - for example, house searches, detention of suspects and seizure of their property. The co-operation of officials has become quite routinised and relatively effective, resulting in a considerable amount of the proceeds of crime being seized. Co-operation has also been conducted with organised interest groups such as the (workers organisation) Union of Construction Workers and the (employers organisation) Confederation of Construction Industries. The establishment of specialised prosecutors in economic crime has had its influence in police work, especially since the new law on criminal procedure (1997) obliges the prosecutor to co-operate with the police from the stage of the preliminary investigation.

Research

A part of the funds that the government committed to "fight economic crime" has been invested in academic research⁴. Some of the money has been granted to research projects in different universities. One three-year position of a senior researcher was created in the Police College of Finland in 1996, and extended to run a further five years from 2000 onwards. In addition to research, the task of the researcher is to maintain a database on Finnish publications and research projects in the field of economic crime and to contribute to the promotion of coordinated, extensive and long-term research in the field of economic crime. In 1999 another three-year post was established, where the task of the researcher is to study the prevention of economic crime. Also in the national Research Institute of Legal Policy several research projects were launched in 1996. Some of the resources have been granted to research projects in different universities.

Prior to the national programme to fight economic crime, research in this area was mostly conducted in university law faculties. The first more extensive socio-legal studies were completed in 1993 and 1994. At the time of writing the situation regarding research on economic crime in Finland remains relatively good, with major research projects being conducted across a number of different universities. Of particular interest is a long-term, socio-legal research project in the University of Turku's law faculty on the follow-up and analyses of economic crime (see, for example, Laitinen and Alvesalo, 1994, Laitinen and Virta

1998), which utilises various data-sets on economic crimes and offenders throughout the 1990s (Virta, 2000).

The bulk of the projects - which also include studies of off-shore companies, the criminal liability of the 'legal person', the frauds of economic life, the waiving of charges in economic crime, money laundering, the assignment of criminal liability in corporations, crimes of the debtors, expired bankruptcies and crimes, the (problems of) policing economic crime, the prevention of economic crime in securities markets - are financed in the main by the Ministry of Interior. The National Research Institute of Legal Policy (funded by the Ministry of Justice) is also home to several completed and in process socio-legal researches on various issues related to economic crime. In 1999 the board of management (steering committee) of the national programme against economic crime decided upon a series of new focal points of research regarding economic crime in the future, through to 2001, which include the as yet relatively neglected areas of health and safety and environmental crimes.

From the point of research, an important initiative was made by the Ministry of Interior: it demanded that a uniform definition of what is considered as a economic crime within the police should be decided upon. With the co-operation of criminologists and police a definition was built. The definition used by the Finnish police when they make the report of an offence and register it as a economic crime is the following: "a criminalized act or neglect which is committed in the framework of, or using a corporation or other organisation. The act is done with the aim of attaining unlawful direct or indirect benefit. A criminalized, systematic act that is analogous to entrepreneurship and has the aim point of considerable benefit is also defined as economic crime." The investigators have been instructed to use this definition so that comprehensive statistics on economic crime would be available. As one of the main problems in researching into economic crime is that there are no comprehensive statistics available, this is an important - and internationally unique - source of data for the scholars who deal with economic crime in Finland.

The Emergence of the 'War' on Economic Crime and the Grey Economy: Description and Explanatory Fragments

To set out schematically the contours of the Action Plan is clearly not to say anything of their actual implementation, progress, problems and so on. But even without entering into these vital considerations here, the critical mass of activity around the phenomenon of economic crime, which coalesced around and was further fuelled by the Action Plan of 1996, is worthy of consideration in itself. If economic crime was defined politically and legally as a crime problem, how was this the case? This is a question worth answering even if this activity and the Action Plan that co-ordinated it was merely symbolic (a view which, we should note, we do not share). In this section we set out several elements that need to be considered in any response to this question of why this initiative emerged when and where it did.

A Drift Towards a Law and Order Society?

One possible (partial) explanation needs to be raised, if only to be summarily dismissed. This is the possibility that what happened in Finland in the 1990s around economic crime was part of a more general shift in criminal justice policy and practice, a shift towards decreasing tolerance, widening criminalisation, and increasing punitiveness towards all types of illegal and anti-social behaviour, whether organised around so-called 'street' or economic crime.

The first point to make in this respect is that such an argument is less than convincing not least because, despite the fact that much of what has been happening in criminal justice policy in North America and Western Europe in the 1990s is characterised by the notion of a drift towards a law and order society, such trends have not extended to economic crime (Slapper and Tombs, 1999: 85-109). This is not to deny that some forms of economic offending have been subject to particular state initiatives; for example, in Britain, certain forms of financial crimes, most notably 'serious fraud' were encompassed within the criminal justice

system and became the focus of critical state scrutiny (Levi, 1993, Killick, 1999: 13-89) - though these efforts have been subject to a range of criticisms (Weaitt, 1995), and may be understood in terms of their symbolic effects (Fooks, 1999). Nor is this to deny that there have been many instances of attempts to address corporate and economic crime within other nation-states. Some states have developed new approaches to specific certain aspects of the control process across all forms of economic crime (for example, the US Sentencing Commission on Corporate Crime). Others, most notably Sweden, have established a discrete agency for combating economic crime, but the implementation of a programme to reduce economic crime has been much more limited and modest than is the case in Finland. There have also been some recent developments at supra-national level, notably the EU, around specific forms of economic crime.

But the Finnish initiative differs from all of these in that it encompasses a range of economic crimes, focusing upon all levels and stages of the problem of control, and seeking to establish economic crime control as an element of routine crime control functions, rather than as a discrete area of activity conducted by separate agencies. Of even greater interest is that this initiative emerged during a period when the clearest discernible general trend in economic crime control across almost all industrialised nations is one of diminishing control efforts (Snider, 2000). Finally, what is most remarkable about the Finnish initiative around economic crime is that as it emerged Finnish criminal justice policy and practice remained characterised by a social liberalism that was being abandoned in the majority of other industrialised nations. Thus, for example, Christie isolates the exceptionalism of Finland as one of a number of welfare states that, even in the early 1990s, had still managed to resist the drift towards crime control which by then had become generalised amongst Western industrialised nations (Christie, 1993: 46-50)^[1].

Finally, further support is given to our claim that the increased attention directed at economic crime was not part of a general drift towards law and order in Finland is provided by our provisional analysis of written questions around crime, law and order issues in the Finnish Parliament during the 1990s. One obvious feature of the crude data is that crime in general is a relatively unimportant political theme in the Parliament (see Table 1). The average percentage of written questions on crime - including both economic and ordinary crime - varies from 0.1 % to 0.5 % of all written parliamentary questions. In 1993, the rate of questions related to economic crime is clearly higher than the rate of questions on 'other crime', which is quite low, indicating that there was no general law and order boom going on, but a concern specifically with economic crime. In the election years 1995 and 1999, the rates of questions related to economic crime are quite low compared to other crime (Table 1) By the end of the 1990's the rate of questions relating to economic crime is decreasing, while there is a slight increase in questions on other forms of crime (Table 1).

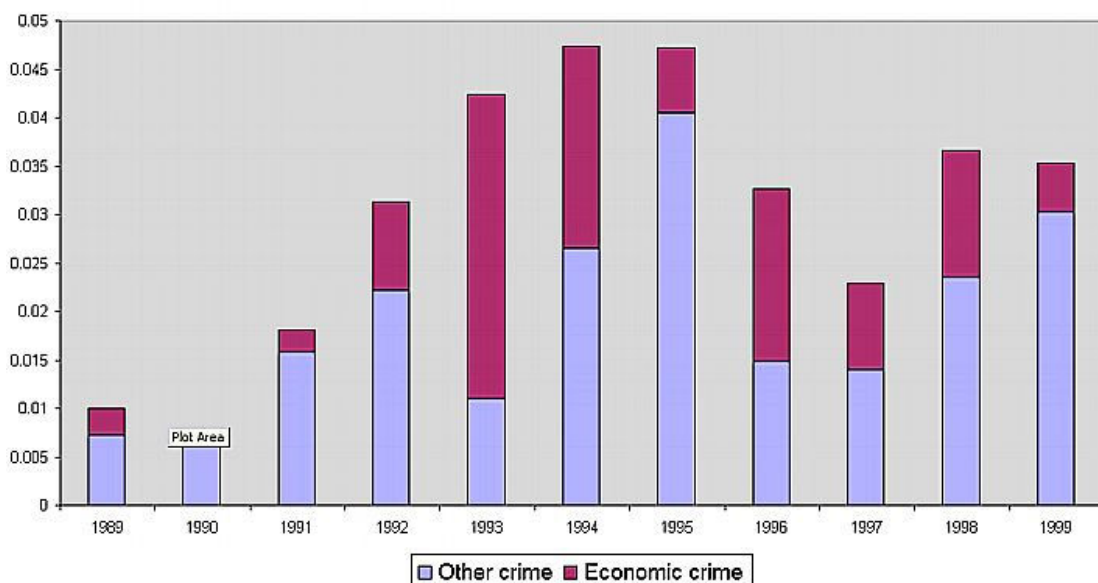


Table 1: Rates of written questions on economic crime and other crime in relation to all written questions

This data regarding the (until recently) relatively marginalized nature of crime, law and order politics are supported by other observations on Finland. This follows Lappi-Seppala's claim that,

"unlike the situation in many other countries, crime control has never been a central political issue in election campaigns in Finland. At least the 'heavyweight' politicians have not relied on populist policies, such as 'three strikes' and 'truth in sentencing'. Isolated efforts in this direction have usually been met by quite critical comments from the media" (Lappi-Seppala, 1998: 20).

A study by Sirpa Virta indicates that those few MP candidates who, in the 1999 parliamentary election, used crime or law and order issues in their campaign were not elected. (Virta, forthcoming). However, this was perhaps the first national election in which party manifestoes did contain explicit references to crime, law and order. The beginning of the 1990s also witnessed the emergence of near moral panics around organised crime (from eastern Europe, particularly Russia and the Baltic states) and the end of the decade drugs, while this was also the period which saw the language of 'zero tolerance' enter Finnish criminal justice lexicon. Korander has thus referred to this latter period of the decade as one of emerging policeization of Finnish society (Korander, 1998, 1999), where the role of the police has been elevated, in both material and ideological terms, above that of other government agencies (for example, those concerned with social insurance and welfare). Until very recently, however, surveys of peoples' perceptions of 'street' crime had indicated relative senses of security and reasonably good relationships with police. Moreover, a study on experiences of safety and attitudes towards the police on the part of Finnish citizens in 1993 showed that the public placed economic crime as one of the most central subject of requiring priority in police action (Korander, 1994).

It may be, then, that very recent years have witnessed increasingly the emergence of a general crime, law and order politics in Finland, one largely directed at public order and anti-social behaviour rather than targeted at street crime in general. In particular, the very recent past has seen issues related to young people, particularly around alcohol use in public, have come to be defined in terms of a law and order or crime problem. Also very recent has been the emergence of political demands to control drugs more effectively. However, the emergence of the Action Plans cannot be explained in the context of any such political or social drift to law and order - concern with economic crime was clearly a special case in the first half of the 1990s.

Some Longer-Term Origins

The first observation to make about the initiative of the 1990s is that it can only be understood in a longer-term perspective. Once the Government had decided, through its Decision of Principle in 1995, to develop and launch the first Action Plan, it was able to draw upon over two decades of practical and academic work around the phenomenon of economic crime, which ranged from jurisprudential considerations of whether economic crimes could be included within criminal law to on-the-ground co-operation between enforcement agencies to combat particular types of economic crime. As a senior figure in the Department of Corrections, but formerly someone intensely involved in economic crime control in the eighties and nineties, stated at interview: "you can't just push the switch, it takes many years". The Action Plan could only be formulated on the basis of a great deal of previous work.

Since the 1970's, there has been some recognition and discussion about economic crime across Western industrialised countries. In Finland, the debates concerning economic crime were characterised by a particular kind of attitude: economic crime was defined early as a social problem. For example, an idea of a new approach towards economic crime was one of the main reasons for starting the total reform of the Penal Code at the beginning of the 1970's (Lahti, 1983). The reform included some renewals vis-à-vis economic crime. White-collar crime - or "economic crime" - was not seen to be a useful basis in the systematisation of the Penal Code, regardless of the fact that in the 1980's there was an extensive debate about the phenomenon of economic crime and about its definition (Träskman, 1983). All in all the definition was said to be unclear and ambiguous; inaccurate, because it was not based on the

classification founded on the concept of "legal good" as property offences were, but expressed more an "examination of fields of life". There are three sections in the Penal Code (since 1991) that fall under the title "business crimes": rationing offences; trade crimes (marketing crime, unfair competition, consumer credit crime, business espionage, violation of a business secret, misuse of a business secret, bribery, book-keeping crimes); and crimes against public finance (for example, fraudulent tax returns, false use of allowances) (Lahti 1991). Träskman criticised the systematisation of the new Penal Code, and saw it as a watering-down of the definition of economic crime. In his opinion to emphasise the special character of economic crimes committed by organs or persons acting on behalf of a company would have meant that these crimes are clearly distinguished from crimes against the enterprise. This possibility was rejected unanimously, because it was seen as equally important to disapprove crimes committed by employees against the enterprise (Träskman, 1987). Notwithstanding the new systematisation there are various criminalisations in other chapters in the Finnish Penal Code - and outside it - that fall under the category "economic crime". In 1995 - after two decades of preparation - the law concerning corporate liability was passed.

Various ad hoc committees and working parties were appointed in the 1970's and 1980's to investigate the problems related to specific fields of economic crime. There was a phase of public concern in the beginning of the eighties when several large cases of economic crime came to light and a boom of prosecuting economic criminals appeared to emerge. Many of the charges were dismissed, apparently due to both the complex nature of the cases and the inexperience of police and prosecutors in pursuing such cases. A turning point was reached in 1983 when then President Koivisto criticised the public prosecutors for prosecuting too easily in cases of economic crime. As one of the senior officers in the Finnish NBI stated at interview,

"Our President, whose son in law was arrested by NBI in 1983 because of financial crimes, made some kind of public threats, for instance that if the prosecutor does not succeed in his work, he, the prosecutor, should be punished ... nothing happened after Pasanen because of politics. The political atmosphere changed after Mauno Koivisto left".

As in the above quotation, the Koivisto speech was frequently referred to in interviews as a key reason why little or nothing happened following the publication of the report of the so-called 'Pasanen Committee', which also occurred in 1983 (Taloudellisen rikollisuuden selvittelytöryhmän mietintö, 1983). The 'Pasanen committee' had been established in 1982 to examine the extent and possibilities to prevent economic crime, following an intense period of debate around economic crime, a debate given impetus by the exposure of several serious tax frauds, and the complicity of senior state officials in these, in the 1970's. It was suggested in interviews, and elsewhere (Jonkka, 1991), that following Koivisto's speech the threshold to prosecute economic criminals became higher. The public discourse also became gradually fainter towards the end of the 1980's (Alvesalo, 1998b). According to our interviewees, this political turn away from considerations of economic crime also has an economic basis to it - the eighties were a period of economic boom in which business and entrepreneurship achieved an elevated status (as in the UK, Slapper and Tombs, 1999: 89-90), and were seen to be delivering the goods.

That economic situation was to change at the end of the decade (below). Thus, in his opening speech at the "Efficiency into the Prevention of Economic Crime" co-operation meeting on October 7, 1992, The Minister of the Interior Mauri Pekkarinen was moved to note that:

"It was almost as early as ten years ago when the so-called Pasanen's committee finished its report on economic crime, including several proposals for measures. Unfortunately, most of the proposals have not yet been realised ... Finland has lived these ten years subsequent to Pasanen's committee like the Sleeping Beauty. Now we are facing the situation that we have to spend more resources on the fight against economic crime...".

On one level, this statement is not entirely accurate. For it is clear that despite the failure of the Pasanen report to prompt any large-scale programme against economic crime, there did emerge during the eighties a series of ad hoc, on-the-ground initiatives, which were to prove crucial in the preparation of the first Action Plan in the early nineties. In other words, when a steering committee sat down to develop the first Action Plan, they had two sets of invaluable resources. First, the work of the Pasanen committee itself. As many of our interviewees noted, the First Action Plan draws heavily, and quite consciously, on the substance of that 1983 Report; as a senior figure in the Finnish NBI, and someone with a long involvement in economic crime investigation, stated in interview, "these ideas were good in 1983 and they

were still good in 1996". Second, the steering committee was able to use the experience developed in various 'low-level' efforts to control economic crime. These included: reforms in the education of economic crime investigators and prosecutors which dated back to the early 1980s; various forms of on the ground co-operation, particularly between the police, the tax authority and the Board of Customs; and the so-called East Project.^[2] Further, and directly related to the latter point, the role of a small number of individuals was clearly crucial in keeping economic crime on the law enforcement agenda and developing these existent forms of co-operation which proved crucial in the early 1990s.^[3]

One senior official at the Finnish Tax Administration described to us in interview the records of ongoing projects presented to her and others at a meeting in December 1992, when a cross-ministry group met to re-establish an initiative around economic crime matters. These projects had been set in train by an earlier co-operating organisation, and indicate the extensiveness of the work around economic crime that had been begun, or was being conducted, prior to the very beginning of the development of the first Action Plan in 1993. Included amongst these records were projects around: the development of police-tax authority cooperation; the development of instructions to be given to all police units relating to investigating economic crime; bankruptcy cases; complex tax fraud; international aspects of economic crime; retrieving assets; re-investigating 'old' cases of economic crime; informing the public how authorities act against tax fraud cases; using common training across authorities for economic crime investigation; developing common bases of data collection; the 'prediction' of criminal cases from auditors' information; various law reforms - for example around book-keeping law, the exchange of information, and so on.

The significance of these types of activities, and the influence that particular individuals were able to exert, is partly explained by the size of Finland and the relative proximity of key practitioners around the phenomenon of economic crime to policy-makers. One important aspect of 'size' is the fact that Finland is 'exceptionally expert-oriented' (Lappi-Seppala, 1998: 19, see also Christie, 1993: 49-50). This observation is made by Lappi-Seppala in his consideration of the peculiar nature of Finnish penal policy in particular and criminal policy in general. Now, although the comment is made in the context of 'traditional' crime, it may be of more general relevance, and thus useful in this discussion of economic crime. This more general applicability is at least possible given what we know of the work of academics around this issue in Finland since the 1970s and the activity of several key individuals and groups within government Ministries and criminal justice / enforcement agencies to which we have referred above:

"reforms have been prepared and conducted by a relatively small group of experts whose thinking on criminal policy, at least in its basic points, has followed similar lines. The power of these professionals was, furthermore, reinforced by close personal and professional contacts with senior politicians and with academic research. Three of our Ministers of Justice during the 1970s and 1980s have had direct contact with research work: indeed, one of them, Inkeri Anttila, was a professor of criminal law and the director of the National Research Institute of Legal Policy at the time of her appointment" (Lappi-Seppala, 1998: 19-20)^[4].

The significance of agency on the part of a relatively small group of key actors needs, then, to be understood in structural terms - both in the context of Finnish political culture and also in terms of the distribution of power within Finnish society. Many commentators have noted that Finland needs to be understood, from a political point of view, in terms of an oligopolistic power elite. This, for example, is the claim made by Ruostetsaari in his 'Anatomy of the Finnish Power Elite' (Ruostetsaari, 1993). While there are some problems with the data and analysis contained therein, so that some of the detailed conclusions reached in the argument are difficult to sustain on the basis of the evidence presented, the general conclusion is a reasonable one, and also useful in the context of this paper. Ruostetsaari argues that there exists in Finland a "relatively cohesive and unanimous, cohesive power elite" (Ruostetsaari, 1993: 305). And, to emphasise, the existence of this is partly a function of size:

"Virtually all organisations and major business concerns have their head offices in the capital city of Helsinki. It is obviously much easier to establish and maintain contacts at the personal level in this situation ... The old adage that Finland is a small country where everyone knows each other certainly holds true in this respect" (Ruostetsaari, 1993: 310; see also Vayrynen, 1993: 38)^[5].

The verisimilitude of this "old adage" was one of the most striking features of our interviews with a range of key actors in the programme to combat economic crime. As one of them put it,

"In Finland we have good conditions for co-operation between different administrations, because the first thing Finland is so small a country and every leading civil servant, for example, knows each other and Ministries are quite small agencies ... people know each other quite well and this is good for co-operation, official or unofficial"

The Great Depression: Scale and 'Causes'

If many respondents focused upon the significance of agency, highlighting the activity of a small number of individuals as pivotal in laying the ground for the 1995 Decision and 1996 Action Plan, respondents also had a keen sense of the structural. Every respondent pointed to the nature and scale of the depression when asked to comment upon their perception of the reasons for the emergence of the Action Plan in the mid-1990s. Many elaborated upon this, and spoke about the role of illegality in the depression, particularly in the near collapse of the banking industry. Some spoke pointedly of the culpability of parts of Government and the Bank of Finland in terms of economic mismanagement. All in all, though, the recession (or depression as we shall term it) very much constitutes the collectively received wisdom in explaining the emergence of the Action Plan. The following are typical:

"it [the Action Plan] was possible because the bankruptcies were the worst in the world, people were screaming for blood ... and social order, and .. also it was easy to put this programme because they promised to get the proceeds" (Senior official, Prosecutor-General's office, and a former member of Pasanen committee)

"The politicians, especially during the depression when we had big difficulties with the banks and the bank crisis and you could also see that there was some illegal acts or crimes, the politicians wanted to have that financial crime as an issue and they wanted to combat it, and almost every politician said that the police should get more money or better legislation [to combat economic crime]" (Senior economic crime investigator since the 1980s)

"the economy of Finland collapsed because something happened in Russia. And at the same time the monetary regulation was released by the Bank of Finland. And the economy totally overheated, and in a couple of years it caused enormous losses. And because of those losses everybody realised that something must be done, because we cannot afford that kind of losses" (Senior member of Finnish NBI and former economic crime investigator)

"we had this economic depression. That depression caused much economic crime in connection with bankruptcy, tax fraud and so on. So I think that must have been the main reason for ... the programme" (Senior Official, Ministry of Justice)

Given the nature of these claims, the following sections we shall explore the events around the 'great depression' in some detail.

During the 1980s, Finland enjoyed unprecedented level of economic growth, to the point where it was frequently referred to as "Europe's Japan" (Berg, 1997: 37, Sihvo and Uusitalo, 1995: 251, 255). This long period of economic growth and increasing consumption in the 1980's came to an abrupt end when, at the beginning of the 1990s, Finland experienced by far the deepest recession of any OECD country in the post-1945 period^[6]. Indeed, this recession was so severe some refer to it as 'The Great Depression' (see, for example, Kiander and Vartia, 1996, who document literally how it had been deeper than the depression of the 1930s in Finland).

Each of the years 1991-1993 saw reductions in real GDP; there was a 14% fall in real GDP from 1990 to 1993 (Honkapohja and Koskela, 1999: 401). This dramatic downturn is partly explained by a 60% reduction in exports to the Soviet Union during this period, upon which Finland was more dependent than any other industrialised country (Bordes, 1993: 55). "Consumption contracted, asset prices declined, lending became negative, and bank credit losses swelled as business bankruptcies multiplied" (Jonung et al., 1996: 56). Jonung concludes that unemployment "exploded" (ibid.), hardly an emotive term given that it went from 3% in 1990 to 20% by 1994 (Honkapohja and Koskela, 1999: 401). The number of people employed fell by 400,000 or 16% between 1989 and 1993; by 1993, the unemployment rate for the 15-24 age group was 30%; the number of long-term unemployed exceeded 100,000 by the end of that year (Soderstrom, 1993: 154). Unemployment reached levels never seen before in Finland, peaking in 1994. 1990-1994 saw a 15% rise, a record in post-1945 industrialised economies (Kiander and Vartia, 1996: 81). It should be added that during this period, there was "significant wage moderation", with three consecutive wage settlements yielding zero increases (1992-1994), despite the real disposable income of

households shrinking due to higher taxes and tariffs (Kiander and Vartia, 1996: 82). Even with a slow recovery in output in 1992 - based on increasing exports - unemployment continued to rise, from 12.7% in 1992, to a (historical) peak 19.2% in January 1994. From a balanced budget in 1990, the Finnish central government budget was in deficit by 32 billion markka in 1991, by 64 billion in 1992 (that is, over 12% of GDP). Public foreign borrowing grew at an even faster rate (Soderstrom, 1993: 185). The collapse in economic activity had meant the need for vastly increased transfer payments as GDP and the tax base both declined (Soderstrom, 1993: 187).

Most superficially, the earliest signs of emerging recession can be found in 1989, which saw the acceleration of inflation followed by a devaluation of the Finnish Markka against the Deutsch Mark. This only served to undermine the credibility of, and increase speculation against, the Finnish currency. At the same time, the situation in the Finnish banking industry had begun to deteriorate during 1989. There was no regulation in Finland limiting banks lending to individual borrowers or group of borrowers (Bordes, 1993: 50), creating significant interest rate and credit risks. Asset prices began to decline in 1989. The first signs of fragility were to appear in the personal sector; households sought to increase saving, that is, stopped borrowing and increased saving, personal consumption fell dramatically, the economy dived into recession. An increase in the numbers of households that could not keep up debt repayments became apparent from 1989. On 15 November 1991, the Markka was devalued against the ECU; as one senior economic commentator stated to us, "this devaluation was too little too late", and indeed only increased speculation against the currency as it was perceived as a sign of weakness and ineptness. A period of continued and extreme speculative pressure against the Finnish Markka ended, within a year, with the exchange rate link between the Markka and the ECU being suspended on 8 September 1992. The Markka was allowed to float, leading to significant further devaluation. Between November 1991 and the low point of September 1993, the Markka declined in value by 30%.

In this context, it is unsurprising that the situation of the Finnish corporate sector deteriorated rapidly. The number of bankruptcies increased by a magnitude of about 50% in each of the years 1990, 1991, and 1992 (Vihriala, 1997). Most firms announced record losses in 1992, the number of bankruptcies peaked in 1993 (Kiander and Vartia, 1996: 81). This level of bankruptcy was one causal factor in a generalised banking crisis, as loans to firms which had gone bust were not recovered. With the onset of recession, borrowers income fell, and their ability to service their debts fell also. Banks were thus plunged into crisis (Vihriala, 1997).

If the speed and depth of the recession had been partly due to collapse of export markets in the Soviet Union, then the recovery from the deepest point of recession, from 1993/1994 onwards (though stalling somewhat in the later part of 1995), was one which was export led; domestic demand only really picked up from 1995 onwards. In general, business profits recovered sharply, so that in 1996 it could be noted that these were at "record" levels, in no small part to "the recent export boom" (OECD, 1996: 88). By 1997, Finland was one of the fastest growing OECD economies (Berg, 1997), with GDP increasing at a rate of 5% per annum - growth stimulated in no small part by so-called hi-tech industries, notably telecommunications. At the same time, fiscal restraint continued, ostensibly in order to meet the requirements of EU membership, while wage growth remained restricted as a result of an incomes policies, centrally agreed between the new Government (elected in 1995), trades unions and employers, in 1995 and then in 1997. Yet this 'recovery' was not unilinear, uniform, nor unproblematic. It largely concentrated in the capital-intensive export industries, while the domestic sector remained relatively depressed until 1995-6 (Honkapohja and Koskela, 1999: 406). Unemployment, which had continued to rise until long into 1994, remained, in 1999, five years after the revival of economic growth, at 11% (Honkapohja and Koskela, 1999: 406). Much of this unemployment is now viewed as structural (ibid.).

Bank Crisis: Regulation, Risk and Crime

If key elements of the impending banking crisis had become apparent in 1989 (Vihriala, 1997: 37-8), it was in 1991 when the scale of the problem began to emerge. Alongside the announcement by many banks of losses that year, was the near closure of Skopbank (the commercial bank owned by over 250 savings banks), only offset when it was taken over by the Bank of Finland, which injected almost FIM 2 billion into it. 1991 also saw the government establish the Government Guarantee Fund (GGF), with FIM20billion for any necessary support operations. Finland entered a full-scale banking crisis in 1992, and (as in Sweden, Norway and the US), the crisis was most severe in the savings banks (Kiander and Vartia, 1996: 81). The GGF was busy through 1992 as many banks reached the verge of collapse, eventually merging many failing banks into the Savings Bank of Finland, to be supported by FIM 12 billion. Subsequently, in February 1993, the Government guaranteed the timely meeting of the contractual commitments of savings banks, whilst doubling its support funds to FIM 40 billion (Vihriala, 1997: 38-39). The banking crisis provided a threat "to the operability of the entire banking sector" (Herrala, 1999: 14). During this period, several illegal acts committed by bank directors, politicians and businessmen were revealed. It is perhaps unsurprising that in 1992, the Finnish central police organisation, the National Bureau of Investigation (NBI), cited crime in the banking system as one of their primary target areas for 1992. In 1993, one of the key profit areas within the profit plan of the police for 1993-96 was to prevent economic crime.

At the same time, the Finnish government was committing a considerable amount of capital into the banking sector in the early part of the 1990s, in an attempt to prevent further collapses and engender some stability to the sector. The final costs of these operations to support the Finnish banking industry is staggering. In 1997, the GGF had estimated the "final cost of the support operations for the public sector has been estimated by the GGF at FIM 45-55 billion or some 10% of annual GDP" (Vihriala, 1997: 39-40; see also Drees and Pazarbasioglu, 1998: 31-33). By 1999, the Finnish Ministry of Finance had estimated the total cost of the Finnish Banking Crisis to be about \$9million, or one quarter of the Government's annual expenditure (Virta, 2000).

The Finnish depression was, of course, partly to be explained in terms of general conditions in the international economy (Jonung et al., 1996). However, it is clear the Finnish experience has peculiar aspects, aspects that must be taken into account to explain the depth of the recession. Thus Currie refers to the depth of the recession as being explained by "the particular features of the Finnish economy, and in errors of economic management by many actors ... including policy-makers, banks, companies and individuals" (Currie, 1993: 98; see also Honkapohja and Koskela, 1999: 423).

A consistent focus in explaining the scale of the depression is upon the way in which financial liberalisation was 'managed' in the Finnish context (Honkapohja and Koskela, 1999: 406, Jonung et al., 1996: 64-66, Bordes, 1993, Currie, 1993, Soderstrom, 1993, Kontulainen and Vilmunen, 1994). Despite the claim that financial deregulation is increasingly "necessary" in a liberalised international economy to prevent an exodus of production from any particular nation-state, as Soderstrom claims for Finland (Soderstrom, 1993: 147), it is the case that, in general, financial deregulation increases the vulnerability of national economies to external economic cycles. Financial crises following the extensive deregulation of financial activities are common (Herrala, 1999). In Finland, what was peculiar was the way in which the Bank of Finland and the Government proceeded with the liberalisation of the financial system - this created a boom financed by the banking sector, "whose supervision and regulation were not sufficiently adapted to the new financial environment" (Bordes, 1993: 18).

There are two key points to be emphasised here regarding this casual factor in the Great Depression. The first is that the severity of the recession was a function of economic mismanagement - mismanagement in which the Ministry of Finance and the Bank of Finland were crucially implicated (Bordes, 1993, Currie, 1993, Drees and Pazarbasioglu, 1998, Honkapohja and Koskela, 1999, Jonung et al., 1996, Kontulainen and Vilmunen, 1994, Soderstrom, 1993). The second is that the manner in which the crucial decisions were taken regarding liberalisation in the latter half of the 1980s - that is, financial deregulation occurred almost by stealth, largely presided over by the bank of Finland, and was never a matter of public discussion (Andersson et al., 1993: 35, 38, Kosonen, 1993: 60).

These points are significant not simply because they partly explain the severity of the recession, but also because the manner in which financial deregulation was managed created

what can best be described as a criminogenic market. Thus it is commonly noted that Finnish form of deregulation created a particular moral hazard, "an incentive for every bank to finance risky business" (Bordes, 1993: 23):

"Competition amongst banks intensified in response to financial deregulation, marked by increased risk taking probably as a result of moral hazard and myopic behaviour" (Honkapohja and Koskela, 1999: 405).

It is in precisely such a context that 'moral hazard' becomes realised (Virhiala 1997, Honkapohja and Koskela, 1999: 405). What economists call 'moral hazard' can, in criminological terms, be a context that produces outcomes bordering on or constituting illegality. It is perhaps of little surprise, then, that research amongst a diverse group of agencies involved in economic crime investigation and reduction have highlighted "bankruptcy criminality" as the most significant type of "economic criminality" (Virta, 1999: 99; see Laitinen and Virta, 1998).

Thus Suontausta and Hämäläinen (2000: 99) found some evidence of a suspicion of a crime in almost half (48) of the bankruptcies selected at random for examination (for the range of crimes covered by the term bankruptcy crimes, see Suontausta and Hämäläinen, 2000: 98). In *One Hundred Bankruptcies*, Hakman (1993) attempts to develop a picture of the level of criminality involved in "average bankruptcies". The study comprised 100 randomly sampled bankruptcy applications. The cases were inspected by tax inspectors. The material indicated that in 21 % of the cases a report of an offence was made. Minor breaches of the relevant legislation were rather the rule, and systematic and aggravated crimes were exceptional (Hakman, 1993). Virta (2000: 28) draws comparisons between the Finnish Banking Crisis and the Savings & Loans debacle in the US. For one thing, the level of illegal activity in each was significant. Thus, following Huhtamäki (1994), Virta notes that half of the crimes arising out of the bank collapses were related to illegal insider actions, these insider offences amounting to 90% of the losses derived from criminal activities. (Virta, 2000). Second, the losses entailed in each crisis are enormous in relative terms.

In perhaps the most thoroughgoing analysis of the bank crisis and the role of criminality, Huhtamäki (1994) describes the crisis in Finnish (and Swedish) financial institutions as worse than that which afflicted the US (on the latter, see Calavita and Pontell, 1990). Moreover, he adds that "the bailout in the Scandinavian welfare states seems even costlier, by relative terms ... the Finnish taxpayer will not avoid a tab lesser to FIM 100 billion which equals USD 18 billion" (Huhtamäki, 1994: 244). While noting the popular explanations of the bank crisis - "bad luck, bad policies and bad banking" - he adds that in addition to these factors, "there has been evidence of criminal activities causing losses to the financial institutions in all of the countries" (Huhtamäki, 1994: 244), and claims that "estimates of crime related damages as percentage of total bailout cost appear to be levelling around 5 to 10% of the total cost of the bailout in the respective countries. The findings of this research support the same ratio" (Huhtamäki, 1994: 245).

It is therefore unsurprising that in Finland, later governments have sought to re-establish a regulatory system in respect of the financial sector:

"The monetary system has moved from deregulation and liberalisation to dependence on state support. Reregulation and more direct state influence is therefore on the future agenda - despite the proclaimed market-orientation" (Andersson et al., 1993: 50).

To conclude this section then, it must be emphasised that the fact that the recession became a depression - with all the negative social consequences this entails (next section) - and the fact that illegality was a significant factor in the crisis of the banking sector, for which Finnish people would pay for years (next section), both need to be understood in policy-making terms. As evidence of illegality in and around the banking sector emerged, it remained clear that some responsibility for this illegality also should lay with those responsible for key errors in economic, monetary and regulatory policy.

The Great Depression: some Political Legacies

Following this depression, macro-economic policy throughout the 1990s was characterised by consistent reductions in government expenditures (and, for the most part, either no or moderate wage increases). The dominant political rhetoric in Finland consistently emphasised the importance of "tight policies and demanded further budget cuts" (Kiander and Vartia, 1996: 78). Despite cuts in public consumption and investment, the budget deficits increased sharply in 1991-1994. There are three factors which explain most of this development: (i) rapid growth in unemployment benefits; (ii) bank support of about 8% of GDP; and (iii) higher interest payments (Kiander and Vartia, 1996: 79). This rise of government spending during and after the crisis, from a previously low level (below OECD average), led the new government, formed in 1995, to introduce "a fiscal consolidation programme" (Honkapohja et al. 1996: 40). The same Finnish Government, elected in 1995, commenced in earnest a programme of privatisation and liberalisation, a programme to which the current Government remains committed. A further source of pressure on the Finnish Government stemmed from its commitment to join the European Union, and ultimately full Monetary Union: in September 1995, the new Government formally adopted a (ultimately 'successful') convergence programme, committing itself to reducing its expenditure to meet a public debt/GDP ratio of less than 60%. By 1998, Finland produced its first budget surplus since 1990, having turned a 7% deficit in 1993 into a 1.5% surplus.

During the 1980s, when the Finnish economy had grown rapidly, so too had public expenditure on social welfare and health care, under social democratic majority coalition governments (1977-1987), and then under a coalition led by a Conservative Prime Minister (1987-1991) (Mattila and Uusikyla, 1997). The difference in the experience of post-depression Finland is therefore marked. Between 1992-1995, cuts in health and welfare spending were at around 3% per annum; this is notwithstanding the growing absolute level of unemployment benefits that were being paid by the state at the end of this period (ibid). In particular, the first half of the 1990s was characterised by widespread cuts in social welfare and health care programmes under Aho's Centre-Right majority government (1991-1995). The centre-right's majority of 1991 was its largest since 1930s, and marked a point at which all major political parties began to acquire "more market-oriented policies" (Andersson et al. 1993: 17; see Jussila et al., 1999: 343-347, Klinge, 1999: 167). This general turn helps to explain why the budget reductions were continued by Lipponen's so-called 'Rainbow Coalition' government, elected in 1995 (Mattila and Uusikyla, 1997). Mattila and Uusikyla claim that the effects of these cuts were spread widely - in particular, they reject the notion that more powerful organised interests were able to insulate themselves relatively from the effects of these budget cuts (Mattila and Uusikyla, 1997).

One of the effects of consistent budget cuts was to generate an "ideological debate on the problems of the welfare state. In the last connection, particularly the role of safety nets on the flexibility of the labour market has been discussed. Some ... see that the Finnish discussion reflects the world-wide ideological fight on the future of the welfare state ... The Finnish corporatist wage bargaining system has also been under attack: central bank, government and employers' organisations have suggested wage cuts and local bargaining" (Kiander and Vartia, 1996: 85)

Now, while this debate cannot be entered into here, it is worth noting that in the case of Finland the level of public sector spending remained below the OECD average until 1991. Thus it is difficult to sustain an argument either that the welfare state was at all responsible for recession (Andersson et al., 1993: 31), or that the level of welfare spending made the welfare state unsustainable.^[4] On the issue of Finnish corporatism, it should be noted that the attack on the extensive collective wage bargaining structure has been difficult to sustain. Even pro-deflationary economists have noted that this system can bear no responsibility for the depression, and may even have facilitated recovery. Thus, for example, Currie states that "The centralised wage bargaining structure in Finland has not been responsible for the current economic difficulties ... indeed it can be argued that the system delivered quite moderate wage increases in boom conditions and thereby helped avoid a sharper rise in inflation in the late 1980s. But the need to transfer resources from the sheltered sector to the traded sector, together with the need to avoid further pressure on the sheltered sector, does pose a challenge to this system ... the share of total wage costs in national income fell through the 1970s and 1980s, boosting profits. It was only with the slump in output ... that the wage share rose sharply, and profitability collapsed ... it is hard to point to the high wage

share at the current time as a cause rather than a consequence of the current slump" (Currie, 1993: 103, 123).

Corporatism in general, and the incorporation of organised labour in particular, has also raised what some see as a key contradiction for Finnish economic policy makers (Andersson et al., 1993: 40-1): governments needed the support of organised labour for incomes policies as a means of controlling the budget and the economy in a period when there was little to offer organised labour as concession (a contradiction overlain by the tension generated by the fact that at the same time the Centre Right government of Aho from 1991 was "ideologically suspicious" of incomes policies; *ibid.*: 40).

It is clear that the political and economic conjuncture in Finland raised questions of legitimacy for the government. Of course, high levels of unemployment provide a real threat to the legitimacy of the welfare state (Johanson and Mattila, 1994). Further, as Soderstrom has noted, "A regime which implies a tight monetary and fiscal policy in a situation with close to 20% of the labour force unemployed cannot have much hope of gaining credibility in a democratic society" (Soderstrom, 1993: 172). In other words, even setting aside issues of government responsibility for the economic depression, the policies most likely to be chosen as the means towards economic recovery from the early nineties onwards carry with them the threat of a (further) crisis of legitimacy for government.

That welfare 'reform' remains fraught with political dangers is further illustrated by the fact that the Finnish welfare state continued to attract a high degree of political support in the 1990s. For example, Kangas has attempted to demonstrate that even in the middle of the 1990s, the principle of universalism upon which the Finnish welfare state is based retained widespread support, not least amongst those groups who are usually cast as its greatest, and most 'natural', opponents (Kangas, 1995). Of course, to speak either of the welfare state or the degree of legitimacy that attaches to it is to speak in highly abstracted terms - the former is hardly a unified entity, and the degrees of legitimacy that attach to its constituent elements vary (Kangas, 1992, 1995). Even if overall support for the welfare state had declined in Finland following the depression, it still remained exceptionally high in relative terms (Sihvo and Uusitalo, 1995). Moreover, while it was recognised in public opinion surveys at this time that there was a need for reductions in public expenditures, welfare and health services came very low down on any list of targets for such reductions (*ibid.*). Even at the height of the recession, then, it was possible to report that, "the welfare state thus enjoys the special support of the Finns" (Sihvo and Uusitalo, 1995: 260). This is perhaps unsurprising given the strength of the ideology of equality that emerged from the late 1960s onwards (Keranen, 1990), an ideology that had real material consequences. For example, Finland, and other states characterised by strong welfare regimes and ideologies of equality, have not followed general trends across OECD countries in the past quarter of a century towards greater income inequality and levels of poverty (Navarro, 1999, Gustafsson and Palmer, 1997, Jannti and Ritakallio, 1997). Thus in Finland the 1980s had been a decade of equalizing incomes (Andersson, 1996: 68, Kosonen, 1993: 53) and decreases in poverty (Gustafsson and Uusitalo, 1990, Jannti and Ritakallio, 1997).

Finally, it is important to put all of these considerations in the more general context of the nature of the Finnish political system. This, it has been suggested, is characterised by 'regulation' and 'corporatism':

"regulation has been used to determine the incomes .. and to formulate trade policy and industrial policy and many other semi-political arrangements. Corporatism has been strengthened by the broad incomes policy agreements between employers, trades unions and the state that have been taking place since 1968" (Andersson et al., 1993: 8).

Once established in the late 1960s - following the electoral majority of the Social Democrats in 1966 (Andersson, 1996, Siisiainen, 1992) and the new compromise within the previously split trade union movement (Borg, 1990, Singleton, 1987: 133) - Finnish style corporatism was characterised by agreements that began to extend across many areas of economic and social life (Andersson et al., 1993, Kosonen et al., 1989: 79, Singleton, 1987), a form of corporatism more institutionalised and extensive than that which characterises other Nordic states (Ruostetsaari, 1993: 310; Pekkarinen, 1992). Thus corporatism characterises Finland at both the macro-level of decision-making structures and at the meso-level of particular policy domains (Mattila, 1994). This form of corporatism both reflects, and further reinforces, the tendencies towards homogeneity and consensus that are a feature of Finnish political culture (Ruostetsaari, 1993: 334; Klinge, 1999: 148, and *passim*, Jussila et al., 1999, Esping-Andersen, 1999)^[8]. At the risk of triteness, it is relevant to note the frequent characterisation

of Finnish politics as 'consensus politics' (Borg, 1990: 153 and passim, Berglund, 1990: 12-14, Esping-Andersen, 1999: 152, McRae, 1997: 289-90).

For sure, the welfare state emerged rather late in Finland (from the 1970s)^[9], and it is generally argued that this is partly due to the historical subordination of social policy to economic imperatives (from the 1970s). Thus the Finnish corporatist model is one in which the interests of export capital are given a particular primacy, given the value of export sectors to the economy; both politics and social policy have been relatively subordinated to "economic necessities" than in other Nordic welfare states (Andersson et al., 1993: 8, Kosonen, 1993: 50). But even accepting this point, it is difficult to avoid the conclusion that attempting to reduce welfare spending on the part of a coalition government in such a highly corporatist framework was an unenviable political task.

Conclusions/Discussion

Let us gather together some of the preceding considerations. We have referred to: a depression of far-reaching proportions; a depression which was partially caused by bank failures, part of which were being popularly attributed to crime and illegality on the part of owners, directors, and managers of banks and other private companies; a depression followed by severe austerity measures, not least of which include reduced welfare spending; a welfare system being cut back whilst the Government continues to commit enormous expenditures on bailing out the banking industry; and a legacy of depression that left unprecedentedly high levels of unemployment through the 1990s, much of which has come to appear as structural; all this in the context of significant levels of support for the welfare state within a highly corporatist political system.

These processes and phenomena do not in themselves constitute the whole explanation as to why there emerged a Governmental Decision to combat economic crime and the Action Plans that followed. But we can formulate two tentative conclusions. First, the political-economic conjuncture that we have sketched out above does seem to explain how, when the issue of economic crime emerged out of the bank crises, it was virtually impossible for Government to do nothing about it, as had happened, for example, with the Pasanen report in the early 1980s. Indeed, it is possible to formulate a second, perhaps rather stronger hypothesis: that far from seeking to resist the prioritisation of the phenomenon of economic crime, the 1995 Government welcomed the emergence of this social problem and the ability to act on it. At this particular political-economic conjuncture, economic crime may well have represented, in Christie's terms, a suitable enemy (Christie, 1986). There was, then, a symbolic quality about the Decision of Principle and the subsequent Action Plan. This is not to imply that these political acts were merely symbolic - we have indicated above that we do not share this interpretation, although in truth we are not yet in a position to address fully this question, and it is not one that the material presented in this paper even begins to address.

Setting aside the question of the symbolic element of the Finnish war on economic crime, our conclusion regarding the relative inability of Government to resist acting on the phenomenon of economic crime at this time is strongly supported by our interview data. Almost all respondents referred to, variously, "a mood", a "social demand", a "popular desire" that "something be done" about the problem of economic crime. This made the Decision of Principle and the Action Plan "Impossible to oppose at the time". That is, there seem to have been no dissenting voices raised in parliament or amongst business interests.

As one interviewee (who remains and has for some years been a central figure in economic crime control) stated,

"I think that the general opinion in Finland has been that something must be done about the black economy and economic crime. The people were very angry when they think that during the beginning of the 90s there were 80m Finnish marks paid to banks because of fraudsters, money taken from usual people, usual taxpayers".

A related point was made by some interviewees - that the support offered to the new programme against economic crime extended to paying for it through taxation, at a time when almost all other parts of government expenditures were being reduced. Thus there is a link between tax payers as victims as tax payers as willing to fund control efforts. Thus, for example,

"at least in the 90s people talked about economic crime and understood why they are paying more taxes, this link wasn't made in the 80s by people" (Senior Official at the Prosecutor-General's office, and former member of Pasanen committee).

"I think there is quite good support, I think that Finns are generally very good tax payers, attitudes amongst people are not hostile at all I would say... Finland is a small country and people can see their taxes go to good use ... Therefore campaigns [against economic crime] are accepted" (Senior Official, Finnish Tax Administration)

One manifestation of this 'general opinion' and anger has been the number and profile of civil and criminal cases taken against former bank managers and owners, which have continued through the 1990s (Huhtamäki, 1994: 257). Relatedly, and of particular interesting for us, interviewees commonly expressed the sense that economic crimes were popularly held to be 'real' crimes.

In terms of formal politics, our preliminary analysis of written parliamentary questions is instructive here. Having categorised the substance of such questions as being pro-control, against control or neutral, we find, first, that the attitudes expressed in written questions on economic crime are overwhelmingly pro control, and, second, that there was not one single question from an anti-control stance posed until 1996, the year of the Action Plan and one year after the Decision of Principle; Table 2).

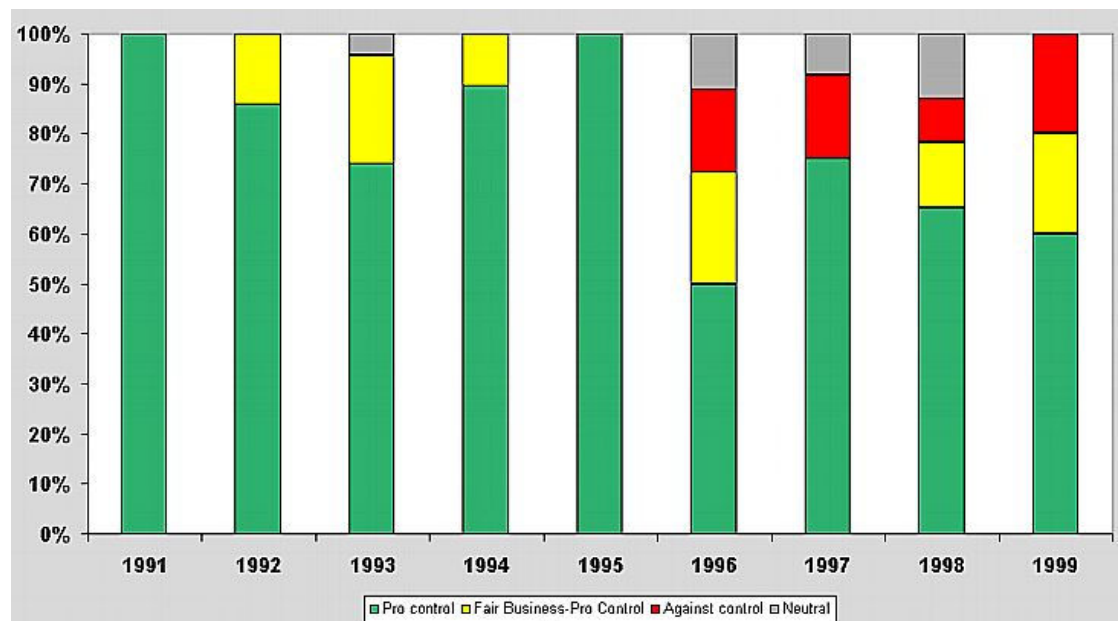


Table 2: Attitudes expressed in written parliamentary questions

The level of political support was highlighted most usefully by one interview, a senior official in the Finnish tax Administration, who drew a direct and sharp contrast with the situation in the early 1990s to that in the 1980s, to which we referred earlier in this paper, and during which she had previously been involved in economic crime issues:

"actually I was astonished how interested politicians were concerning tax and economic crime when these Action Plans were started, because it was quite easy to get these ideas through ... I have a different kind of experience from the eighties, there were far too many fraud cases in which there were politicians involved, and even some related to high level politicians, so for instance in newspapers the President [Koivisto] was very critical of prosecutors in economic

crimes. And I suppose it wasn't a warning but it was a very critical statement, and it affected ... police and tax administration for some years, because he said in a way that we acted too eagerly ... So we became cautious ... but ten years later I was astonished because it was so easy to get these ideas accepted among public, among private sector and among politicians, actually they were very eager to be in the frontline"

In terms of general interest in and popular knowledge of economic crime matters, two points are worth making.

First, as regards newspaper reporting of such issues, we also find that the number of articles on this subject in Helsingin Sanomat^[10] begins to increase in 1993 (the same year as the highest rate of questions on economic crime in the parliament). Moreover, during this period, as one of our interviewees, now a Senior Official in Corrections but for a long period a senior figure in economic crime control, put it, "almost everything that was written in the newspapers was positive". The greatest numbers of economic crime stories are to be found in the years 1995-1998.^[11]

Second, several interviewees referred to the importance of the early socio-legal researches to which we referred in an earlier section of this paper. Their argument was that academic work helped to bring to the fore a largely 'unmeasured' social problem, and in so doing popular interest, in and support for control of, economic crime was heightened. Thus, as a senior policy adviser at the Construction Workers Union stated, once knowledge of economic crime and the grey economy began to emerge, "interest became natural ... no-one - including employers - dare say 'no control' because of research information on the size of the losses".

In terms of the position of business interests, which we can reasonably expect in general to be most opposed to new and more intense forms of regulation and processes of criminalisation, several themes emerge from our interviews. First, there were no public oppositional voices at the time of the greatest political and popular concern with the control of economic crime. Second, many enterprises and their representative organisations took an avowedly pro-control stance in the name of 'fair competition', but also were keen to stress the appropriate limits to what the state could or should do in the name of controlling economic crime - and crucial here was the ideology of entrepreneurship, which many argued could be stifled by an "over-zealous" initiative. Third, some business organisations did seek to oppose parts of the initiative in less public ways. In general it is of interest to note that the attempt to control economic crime, which the Action Plan represented, entailed some real contradictions for employers. As one respondent from the Construction Workers Union stated of the Action Plan and the initiative towards control in general:

"This is a common interest of employers and employees, and also pressure on employers for 'healthy competition' helped this co-operation ... One should make research into what are the real interests of employers, they have beautiful speeches, but do they really want to give up cheap labour and cheap contracts? OK, on the other hand, there may be a real will, but the foremen have lots of pressures on them to get work done and may take on illegal labour and the business may not know .."

One very specific point is also worth noting, and was raised by several respondents. A crucial advance in the control efforts has been the success in changing laws on bank secrecy, in order to facilitate investigations of companies suspected of particular types of illegality. Despite its reluctance to accept the change, the banking industry, of all industries, was in no position to resist what was seen as a pro-control measure - for the simple reason that the collapse of the banking industry was, rightly, seen as central to the depression, and the costs of preventing that collapse continue to represent a significant drain on public expenditure. This is a real indication of the peculiarity of the moment in Finland within which the programme to reduce economic crime could be put into place.

There is, of course, much work to be done in analytical terms regarding the events and processes outlined here. One key omission in this paper is the need for an exploration in empirical and analytical detail of the role of key organised actors. For example, we know on the basis of interview data that certain Ministries and parts of enforcement agencies, certain organised labour interests, and some employers organisations and individual - yet highly powerful - corporations (for example, Nokia^[12]) were supportive of this new initiative against economic crime. The empirical evidence on the role of organised interests is necessary if we are adequately to explore Sutherland's notion of organised public resentment, which seems to us to be a useful analytical device for thinking about the emergence of control measures aimed at economic crime (Sutherland, 1983, Pearce and Tombs, 1998, Tombs, 1995). But this notion needs interrogating within theoretical schema. Of use here could be Snider's

(1991) framework for understanding the processes and dynamics of regulatory reform, and Mahon's work on the nature of regulation and regulatory agencies (Mahon, 1979). Finally, we are clear that the significance of the initiative can only really be understood by examining how it progressed subsequent to its emergence. We need to examine how various elements of the first Action Plan have been implemented, what problems have been encountered, the enduring nature - or otherwise - of support from various interested parties, focusing in particular upon the nature and sources of active resistance. In short, we would need to explore both the conditions that may sustain this initiative and those which may undermine it - that is, its limits. This would also allow us to consider further the extent to which economic crime represented 'a suitable enemy' - which, for Christie, is intimately related to the inability of an initiative against economic crime to be more than merely symbolic. Exploring such questions would require us to say much more than simply describe - and attempt to explain, albeit provisionally, the emergence and nature of these programmes. From the contexts of considerations of general political economy, regulatory strategy, and criminal justice policy, the very establishment and existence of a Finnish Governmental Decision of Principle against Economic Crime and the Grey Economy - and the Action Plans that have followed this - merit scrutiny. From a Finnish perspective, the key question may be the extent to which this initiative is sustainable, and if so in what form. More generally, an attempt to understand the origins, nature and possible limits of this initiative is an important empirical, theoretical and political exercise for those of us who view economic crime as a pressing social problem. In the very use of the language of crime to label corporate and white-collar offending, in its commitment of resources; in its collation of consolidated economic crime statistics, in its effects in terms of enforcement practices across and beyond the criminal justice system, and in its sponsorship of a wealth of research projects, the Finnish initiative may say something of the much disputed (Hillyard and Tombs, 1999) ability, or otherwise, of states and criminal justice systems to address with any adequacy the phenomena of corporate and white-collar crime.

Notes

¹Seen in a longer-term historical perspective, Finland has displayed far greater levels of punitiveness vis-à-vis crime in the past (Christie, 1993, Lappi-Seppala, 1998). Indeed, what is perhaps most interesting about Finnish criminal policy in general, and penal policy in particular, is the fact that a very conscious decision was taken in the mid to late 70s to reduce the level of imprisonment and to treat *criminalisation* as a problem (ibid.)

²The 'East Project' was established in the autumn 1993 in the tax administration. The objective of this project, which included representatives of the customs and police, was to create preparedness for authorities in combating cross-border economic crime between Finland, Russia and the Baltic states, and to investigate any such crimes.

³Three figures were constantly mentioned by interviewees, namely Markku Hirvonen, Markku Salminen, and Keijo Suuripää

⁴Lappi-Seppala comments upon the ability of academics to participate actively in crime debates in all forms of Finnish media, this in itself contributing to the fact that 'In Finland the media have retained quite a sober and reasonable attitude towards issues of criminal policy' (Lappi-Seppala, 1998: 20)

⁵This may seem a trite observation. But one of the most striking features of Finland is its size - it is a country of less than six million people, and almost all areas of social, economic, political and cultural life are heavily organised within a small geographical area in the so-called Helsinki-Turku-Tampere triangle. The smallness of the country entails qualitative rather than simply quantitative distinction to, say, Britain, and has a series of significant consequences.

⁶Unless otherwise attributed, economic data is based on a series of Economic Outlook reports produced by the OECD (OECD, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999a, 1999b).

⁷For an excellent critique of the general claim that welfare states are somehow unsustainable in late-capitalist political economies, see Navarro, 1999; Kosonen (1993) considers this general claim with respect to the Nordic welfare states.

⁸The tendency towards political consensus is again reflected in and reinforced by the tradition of coalition government in modern Finland (Klinge, 1999: 148, Roustetsaari, 1993: 334).

There are many other manifestations. One is the way in which conflicts around integration into the EU and then EMU were managed and worked through (Alho et al., 1994, Bjorklund, 1996, Kivimaki, 1999, Raunio, 1999). However, one also needs to view this aspect of political culture in a dynamic sense - in this respect it is worth noting the key change to the Finnish parliament Act in 1987, which abandoned the requirement for any Bill to win a two thirds majority in parliament for successful passage, in the absence of which the Bill could only be considered by a subsequent parliament (Isaakson and Akademi, 1994: 92-3)

⁹During which decade and after it began to acquire 'Nordic' characteristics (Andersson et al., 1993: 27, Kangas, 1993: 72, Kivimaki, 1999: 162-3, Esping-Andersen, 1999, passim)

¹⁰The largest-circulation daily newspaper in Scandinavia, which is based in Helsinki.

¹¹The material from Helsingen Sanomat was collected by Teuvo Arolainen, who has kindly allowed us to use this and subject it to further forms of analysis

¹²The Finnish-based global telecommunications company, which is dominant in Finnish economic life.

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Appendix: The Research Programme

The initial stage of this research project, focusing upon the emergence and nature of the Finnish Government's Action Plans to Reduce Economic Crime and the Grey Economy, has been organised around one fundamental question, from which others follow: namely, how and from where did this initiative against economic crime emerge, or more precisely, what are the social, economic and political conditions that gave rise to this initiative? Addressing this question has entailed considering a series of sub-questions: what are the contours of this initiative, and in particular, the types of crimes included in, and excluded from, this; how have the contours of this initiative shifted since its inception, and how are they likely to shift in the future; what are the sources of support for and resistance to this initiative how do these manifest themselves, how do they change over time, and so on; what are the conditions that may sustain this initiative and those which may undermine it - that is, in what form and to what extent is such an initiative sustainable, and where are its limits?

We have generated and begun to subject to analysis several forms of primary data in the context of this research.

First, access to various forms of governmental / official documentation was secured, so that we have been able to gather and analyse statements, minutes, letters, memoranda and so on around the 'problem' of economic crime in Finland, from the work and report of the Pasanen committee (1983) onwards. In particular, these documents include drafts of the Action Plans and comments on these from various organisations/ individuals, and various letters and memoranda from a range of government departments and agencies relating to economic crime and proposals for its reduction.

Second, for the years 1990-2000, a record of all written parliamentary debates around, and questions relating to, the 'problem' of economic crime in general, and the Action Plans in particular, has been gathered.

Third, and also for the years 1990-2000, we have conducted a quantitative analysis of all items in the main Finnish broadsheet, Helsingen Sanomat, which cover or refer to economic

crime, alongside a qualitative analysis of all editorials, letters and opinion pieces on these subjects in the newspaper over the same period.

Fourth, semi-structured interviews have been conducted with 'key figures' in the development and implementation of, or consultation over, one or both Action Plans. Interviewees included: senior state and government officials, notably from the Ministries of Interior, Justice, Finance, Labour, and Trade and Industry; a range of enforcement officers, including the Police, National Bureau of Intelligence, the National Board of Customs, the Prosecutor General's Office, the National Board of Taxes, the Office of the Bankruptcy Ombudsman, Corrections, the Bailiffs Office, and economic crime prosecutors; business organisations, namely the Confederation of Finnish Industry and Employers, The Federation of Finnish Enterprises, and the Central Chamber of Commerce of Finland, and workers organisations, namely The Central Organisation of Finnish Trade Unions, and the Construction Workers' Union. Interviews began in January 2000, and to date (July, 2000) 25 interviews have been completed with 32 interviewees.

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