

# Finnish debate on EMU: A discussion without reliable evidence

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Eurocrisis in the  
Press

By [Maija Elonheimo](#)

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If Finland wants to be internationally competitive, it will face either internal or an external devaluation of about 20 to 30 per cent. If it chooses internal devaluation, it must cut pensions and salaries, and severely restructure the cost of public administration. External devaluation would mean that Finland should return to its own currency, and let it float freely. That probably would lead to a slight devaluation of the currency, but also growth in foreign trade. This statement was made in June by a financial expert representing a Eurocritical group in Finland, by [Mr. Stefan Törnqvist](#) – a capital investor at the private equity firm Helmet Capital – whose opinions are frequently quoted in the media.

In Finland's mainstream media the opponents of the Euro are represented as a minority, while defenders of the Euro emphasize the low interest rates the Euro has brought, as well as the decreasing need to exchange currencies. Also being a member of the EMU, Finland shares the table with the major decision makers.

However, discussions on the Internet and in many blogs reveal a situation that looks somewhat different to what the mainstream media suggests. Finns are nervously asking where the Euro crisis will lead to, wondering how much more financial support the worst hit countries will still need, as well as whether Finnish ministers and officials will be able to defend the country's interests. According to opinion polls the majority of the people clearly want to remain within the Euro. The paradox is that at the same time, citizens in favour of the Euro are very critical about Finland's obligations as a member of the EMU, especially its contributions to support EMU-countries that are in a financial crisis.



Comparisons with Sweden have also entered the debate. Sweden's economy resembles that of Finland, but the country is not a member of the EMU. During the Euro crisis, [the Swedish economy has coped better than the Finnish economy, although pre-crisis differences were not significant](#). But the question whether we could be sure that Finland's own currency would devalue and not become stronger than the Euro has also featured in public debates.

The possibility of leaving the Euro is discussed mostly between supporters and opponents of federalization. Federalization, however, has been analysed only to a small extent. Would Finland as an EMU member – in hypothetical future crises – be required to make an even greater effort in supporting other countries, due to merely to being a currency area? What would the cost of such support be, economically or politically or even militarily? Some have raised concerns that the economies of the EMU-countries are too different for a common currency. The euro can survive only if the EU becomes a full federation, but the members are not going to accept that.

The most common answer given to Finnish Euro opponents is that in spite of the problems that we evidently have, leaving the Euro would turn out to be too costly a solution. How costly? This has not been properly evaluated in Finland. Reliable official estimates are obviously difficult to compute, and the release of such information would also send out a political message, which the Finnish government is not willing to issue.

The cost and timing of a potential exit from the EMU remains an open question. While the public has constantly demanded reliable cost-benefit estimates that could serve as a basis for discussion, their absence has meant that any evidence-based discussion has been impossible. The political debate on leaving the Euro has been rather muted in Finland, and no party has so far made it an electoral theme. When it comes to the evidence base of

evaluating the profitability of EMU membership it is also difficult because it remains unclear what the consequences for different countries would be on different levels: EMU membership, EU membership, or the mere membership in the EEA.

The big question concerning Finland (and all EMU members) in the nearer future might revolve around the introduction of Eurobonds, [which have mainly received a negative assessment in Finland](#). Some have asked whether Finland, as a member of the EMU, would be able to stay outside Eurobonds? What about the Banking Union? As a member of the EMU is it more difficult for Finland to remain outside the Banking Union and its mutual responsibilities than for non-Euro EU member states?

If the Finnish economy weakens, the fact that [the six-pack](#), partly treats the Euro area countries more severely than the countries outside the Euro zone, may also become topical in Finland. So far Finland has been satisfied with the tightening of financial regulations, but what would happen if the Commission's recommendations would be directed towards Finland? And what might the required regulations be?

The Euro system's impact on income inequality in Finland has been the object of very little research and debate in the Finnish mainstream media. However, the Government is currently planning to improve the competitiveness lost through the Euro crisis, through structural reforms, such as raising the retirement age, cutting child care support, and reducing unemployment benefits. How these changes will affect different strata of Finnish society remains unclear. If the economy of the Euro zone improves, the debate on who profits from the Euro and who suffers will likely not take place, but the next crisis might well put it back on the agenda. Yet the situation has not led the political left in Finland to question Finnish membership of the EMU.

In last year's local elections big European themes and positions were very much present. How big an issue will the Euro be in Finland in the next European elections? Political parties and individual candidates in the European elections will hardly put a Euro exit on their agenda, but the theme will evidently be of great interest to voters. The topics and positions taken at the European elections will pave the way for Finland's electoral agenda in 2015.

While politicians and the public debate in Finland has shied away from big questions (e.g. a euro exit), the debate has also suffered from an absence of reliable information and assessments about the costs and benefits of Euro membership. At the moment we do not know what the costs of leaving the Euro would be. And we do not know what remaining in the Euro zone is going to cost us. And importantly, we do not really know who will benefit from the Euro and who will be disadvantaged in the long run.

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*Note: This article gives the views of the author, and not the position of the Euro Crisis in the Press blog, nor of the London School of Economics.*