

# The Mouse and the Elephant

## an outsider's view of the relationship between Åland and Finland since 1919

by Robert Horwood

### Local autonomy in a Finnish context

Finland declared its independence on 6th December 1917, in the wake of the October Revolution in Russia. As an autonomous Grand-Duchy under Russian suzerainty Finland already possessed fully-functioning institutions of democratic self-government which - after a bloody but brief struggle for power between Finland's own Whites and Reds had been won by the Whites - were carried-over more or less unaltered. This inherited political machinery made no provision whatsoever for local autonomy within Finland. As a relatively large country with a relatively small and sparsely-distributed population, where political power had historically always been centralised in the capital and which therefore possessed no mature organs of devolved local government, there really was no practical alternative. Moreover, when blood had so recently had to be shed to secure power, to devolve any of it would doubtless have seemed irresponsible (had any such eccentric idea found voice, which it did not). But suddenly in 1919 there came the Autonomy of Åland Act, embodying an unconditional promise that Åland - and only Åland - should have "en mycket vidsträckt självstyrelse", *self-government* "to the widest extent practicable short of becoming an independent state". How had such a jarring discordancy come about?

It had in fact been born out of the imperatives of contemporary Finnish *foreign* policy. The movement on Åland for "reunion" with the Ålanders' so-called mother-country, Sweden, had begun in 1917 even before Finland declared its independence, and rapidly acquired momentum thereafter. Following the end of the Great War, in obedience to the newly-proclaimed doctrine (inspired by President Wilson) of the right of ethnic minorities to self-determination the victorious great powers assembled at Versailles were shortly to begin carving-up the former Austro-Hungarian Empire along (roughly) ethnic lines, giving birth to a bevy of new nation-states. Fully in keeping with the heady spirit of those times, the Ålanders during 1918-20 stepped-up their campaign for separation from Finland, citing their own right of self-determination as a self-proclaimed "swedish ethnic minority" within the new Finnish state, in which ethnic Finns comprised more than 90% of the population. So effective was this campaign that - with strong Swedish support - it was eventually to succeed in causing "the Åland Islands question" to become the first case referred (in 1920) to the Council of the newly-created League of Nations for settlement.

But before that final stage had been reached the Finnish government took what was intended to be preemptive action in the shape of the Autonomy of Åland Act of 1919. They calculated that this would both buttress their own firmly-stated position that the so-called "Åland Islands Question" was entirely a domestic matter and at the same time remove any justification for

foreign powers (especially Sweden) to intervene on the islanders' behalf. Notwithstanding that promising the fullest practicable autonomy to Åland in 1919 must have seemed to the Finnish government an unwelcome concession, it was still infinitely preferable to the alternative being vociferously campaigned-for by the Ålanders. Hence the deliberately sweeping and unconditional nature of the promise which the Finnish government wrote into the Autonomy of Åland Act.

Their calculation went awry: the great powers (skilfully lobbied by Sweden) intervened anyway by referring the issue of sovereignty to the Council of the League of Nations for resolution, thus explicitly over-ruling Finland's claim that its own sovereignty over the islands was not in dispute. Nonetheless, the promise of unconditional autonomy which the Finnish government had unilaterally made to the Ålanders in 1919 was to serve Finland in very good stead during the final phase of the dispute. Finland was able to persuade the Council (and the powers who stood behind it) that since it had already legislated for a sufficiently impressive alternative in place of self-determination (as well as being willing to agree to a number of measures brokered by the Council designed to protect Åland's Swedish culture against being swamped by an influx of Finnish-speakers) they could with a clear conscience over-ride the Ålanders' demand that they be allowed to decide their own future for themselves, and instead endorse Finland's claim to continued possession of the islands.

But was the promise of "mycket vidsträckt självstyrelse" ever really meant to be anything other than a paper promise, a machiavellian stratagem designed to deceive the the Western powers and thwart Sweden's supposed territorial ambitions? The Finnish statesmen certainly prided themselves on being men of their word, and therefore probably did mean exactly what they said. And it must be remembered that they knew what it was they were promising to Åland, unpalatable to them though it may have been to have to promise it. To appreciate this it is only necessary to call to mind the first-hand experience of "mycket vidsträckt självstyrelse" which the members of Finland's governing class and of its civil service had themselves enjoyed, as citizens until 1917 of the Grand Duchy of Finland. Finland had on the whole been left alone to govern itself without undue intervention from St. Petersburg. The Grand Duchy had had its own Head of State, Senate and Diet, its own system of justice and law-enforcement and its own army. Furthermore, it had also acquired its own currency and central bank. Economically and politically it was a largely independent entity with control over the management of its own affairs - although, to be sure, the men charged with governing Finland (almost all of whom were Finns) had been unable to insulate it entirely from the repercussions of periodic bouts of political repression within Russia, when the otherwise steady progress in the Grand Duchy towards liberal democracy did come to a temporary halt (or go briefly into reverse). Despite these episodes, nothing could more eloquently have demonstrated the wide extent and the genuine nature of the autonomy Finland enjoyed than its Diet's passing in 1906 of legislation (to which the czar in his alternative embodiment of Grand Duke gave his assent) introducing universal adult suffrage - making it the first country in Europe to give women the vote - and at the same time replacing the old structure of "estates" inherited from the days when Finland had been a province of Sweden by a modern unicameral parliament.

## Finland's fateful choice

Following the signing of "the Åland Islands Convention" in 1921, with the dust beginning to settle (and with the League, having resolved the matter to its own satisfaction, having shifted its attention elsewhere), it became necessary for the Finnish government to decide what to do about implementing the autonomy which had been promised. That was when all the problems which still plague all concerned to this day had their origin. The wrong decision was made, *and has never been corrected.*

Instead of having the wisdom and humility to emulate the enlightened way in which they themselves had been governed by the czars, the Finnish politicians chose a different course. The promise made by Finland in 1919 to the people of Åland was not kept. No attempt was made to adapt the centralised political machinery to the existence of an autonomous entity within the Finnish state. Instead, central government chose to put in place only the outward appearance and the empty trappings of self-government. True, an elected assembly was set up on Åland (which first convened in 1922) but its powers were so restricted as to be only marginally more extensive than those of the regions of mainland Finland, whilst central government continued to reserve to itself in respect of Åland exactly the same legislative powers as it exercised over the rest of the country. Behind the facade the reality was that "mycket vidsträckt självstyrelse" was *not* implemented. However, Finland lost no time in honouring the package of guarantees relating to protection of Åland's Swedish culture which it had given to the League, including the passage of an amendment to the constitution which excluded Åland from the bi-lingual requirement applying to the rest of the country. This sleight of hand had the desired effect of keeping Åland quiet (for a couple of decades or so) because of the high priority most Ålanders accorded to preserving their culture against encroachment from Finland, whilst costing central government nothing that they attached any real importance to. It might well be thought that the Ålanders - and, along with them, Sweden and the international community - were in effect duped by successive Finnish governments.

From central government ministers' point of view this policy has had the principal advantage of enabling them to avoid for 85 years having to face up to the fundamental incompatibility between the centralised Finnish political structure and an entity within it possessing the legal right to unrestricted autonomy. Åland has remained only *partly* autonomous, neither fish nor fowl. To this day, Finnish politicians have gone on trying to square the circle and, since the Finnish side has obdurately refused to contemplate any alternative approach, Åländsk politicians have felt compelled to engage with them in the same - impossible - task rather than have no dialogue (and no progress) at all. The results have been satisfactory to neither side but, instead, have merely exposed new sources of friction - hardly surprising since what was being attempted was to reconcile the irreconcilable.

For the cold fact was - and still is - that an autonomous region was a complete misfit within the Finnish machinery of government with its concentration of power at the centre, which was not designed and is not sufficiently flexible to accommodate to it. The czars had been astute enough to appreciate that there is only one way in which a local autonomy can be successfully governed in conjunction with an otherwise completely-centralised political machinery if its autonomy is in actuality to be as far-reaching as they wished the Grand Duchy's to be - and as Finland had promised Åland's would be. That only way is by **not** trying to integrate the one into the other.

One cannot "integrate" a mouse into an elephant. For Åland to be truly-autonomous it needed to be governed - just as the Grand Duchy had been - as a separate entity, side-by-side with the main centralised system, up to the level of the Council of State and the President of the Republic, with all laws passed by the åländsk legislature requiring the President's assent.

(Here it is important to interject that the status of an autonomous Åland within the Finnish *political* system is a separate matter from the powers of the judiciary which under the Finnish constitution are independent of political control - a necessary safeguard in any democratic system against the abuse of executive power).

Under such a structure, central government ministers would not have had to keep taking off their "central government" hat and putting on their "Åland government" hat whenever matters domestic to Åland came their way - because matters domestic to Åland would not have come their way. They would never have felt any compulsion to interfere - as they still continue to do today - with a whole range of relatively trivial matters affecting the day-to-day government of Åland, such as whether or not a much-needed new combined parliament-house and administrative centre was to be built (central government sought to prevent it but were unceremoniously thrust aside by the intervention of President Kekkonen). Busy and impatient central government ministers and their officials would not continually have had to keep reminding themselves to adjust their deeply-ingrained ways of thinking and habits of behaviour (and, if necessary, to brush-up their Swedish) whenever any matter affecting domestic policy on Åland arose, because such matters would (rightly) have been no concern of theirs. Instead, they could have been focussing on the "big picture" and, rather than dissipating their energies, concentrating them exclusively on the task which had the principal claim upon those energies:- the governance of Finland.

### **A change of direction?**

Under the second Autonomy of Åland Act (1951) and the Act on the Autonomy of Åland (1991) certain circumscribed legislative powers were devolved by the Riksdag to Åland's lagting, such legislation being subject to final assent by the President. This was the first time since Finland became independent that another legislative organ besides the Riksdag had come into existence within its borders: a step had (it appeared) been taken at last to modify Finland's until then monolithic political machinery. A modest step, but one which nevertheless possessed *potentially* great significance.

Unfortunately, subsequent events have demonstrated that its significance was entirely lost on government ministers. They mostly carried on behaving towards Åland in exactly the same way as before. As recently as a couple of weeks or so ago, prime minister Matti Vanhanen in a TV interview where he was quizzed about central government's having invoked the processes of the criminal law against the head of Åland's government and another minister (in the matter of the Åland government's having permitted PAF to allow mainland Finnish citizens to buy its lottery-tickets over the internet) responded by saying that this was no different in principle from the investigation being made by the police into the alleged misuse of public funds by one of the regional governors. Nothing could have demonstrated more graphically than this comment that - so far as the members of the central government are concerned - the legislative powers delegated to Åland's lagting under the 1951 act do not exist. It is perhaps regrettable that an analogy as

prejudicial as this should be publicly drawn by a prime minister, but that he by drawing it betrays ignorance of his country's constitution might be considered much worse.

It is a matter of constitutional fact that regional governors are state officials who have no legislative or representational function whatsoever, whereas Åland's lantråd and government members are chosen by the members of its lagting who - in turn - constitute Åland's democratically-elected legislature. The process directly parallels that whereby Matti Vanhanen himself became the country's prime minister.

Apparently it is one thing for the Riksdag to pass laws and quite another thing for ministers to respect them.

### **Finnish governments' more recent response to the renewed "challenge" from Åland**

So far, the response has been to continue to withhold full and genuine self-government from Åland. Under the 1991 Act on the Autonomy of Åland, Åland's government took over responsibility for delivering the local services which the Riksdag decides shall be provided throughout Finland, which in the rest of Finland are mostly delivered by local agencies of the central government. This was accompanied by the introduction of a new procedure providing for annual transfer-payments out of general taxation - purportedly as an "equalisation" of the additional costs falling upon Åland's government as a result of taking over these functions.

Although as a consequence Åland's own organ of government underwent a change of title from "landskapsstyrelse" to "landskapsregering" and its members became "ministrar", behind the appearance of increased autonomy nothing of real substance changed. "Mycket vidsträckt självstyrelse" (in the sense in which it was promised in 1919) remained almost as far away as before. Furthermore, retaining the funding of Åland's expenditure at the centre and causing it to be automatically handled there in the glare of the spotlight every year has - as should have been anticipated - politicised it, whilst at the same time satisfying hardly anybody on either side as to the rationale for the numbers. Arguing over whether Åland's supposedly affluent lifestyle is, or is not, subsidised by the Finnish taxpayer has become a perennial political entertainment and is, predictably, meat and drink to the populist ethnic Finnish lobby on the mainland.

### **Some effects of this policy upon Åland**

Aside from its (arguably) discreditable character, central government's policy towards Åland has also had its effects upon the way public life in Åland is conducted - some of which might be thought not to have benefited the people of Åland.

1. It has helped to create and foster a culture of dependency. Each year, Åland's government holds out its bowl and waits to be served a helping of cash by central government - the so-called "equalisation". This is calculated as 0,45% of the total tax revenues of the central government, and to this is added "flitpengar" (which is a refund of the amount by which income and property tax collected on Åland in the last-but-one tax year exceeded 0,5% of the total of such taxes collected from the whole of Finland). The combined sum thus arrived-at determines (taking one year with another) the overall level of public expenditure on Åland. The time-lags and the arbitrary character

of the percentages used vitiate any understandable relationship between costs and payments, and the money therefore tends to be perceived by mainland Finns (and, secretly, perhaps by some Ålanders too?) as nothing but a subvention paid to Åland by central government out of their taxes.

2. The Åland government acts as the central government's agent in the provision on Åland of the services which the Riksdag has decided shall be uniformly provided throughout the whole country, but plays no part in determining what these services shall be. Since the services to be provided are predetermined, so is the amount of money required to pay for them (apart from marginal economies - if any - Åland's government may perhaps be able to make from time to time in the costs of administering them). Its role after budgeting for the provision of these services is confined to apportioning whatever residual sum remains, by arbitrating between the claims of the various interest-groups which compete for their respective slices of this cake. It has no influence over the total size of the cake and therefore has no accountability to Åland's electorate for it. Who has? - nobody can say. Financial transparency, in other words, is totally lacking and without it there can be no effectively-enforceable democratic accountability to Åland's electors for decisions about how their tax-money is raised or spent.

3. There is little incentive for ministers to limit the share of the cake which they choose to apportion to the government itself. Indeed, it may be in their interests to increase that share if possible since the bigger that share is, the wider is the scope for ministers and their officials to promote their own pet schemes.

4. One does not have to look for any sinister motives for this. If ministers are placed in a situation where they are freed from accountability to the voters for how much they spend on the part of the economy that they control (ie the public sector) they will, being human, tend to spend more than they would if they had to account to the voters for how it is to be paid-for. Anybody placed in such a situation would be equally likely to find themselves carried along by the system's own momentum - regardless of whether or not that was the intention they started-out with. Creative-sounding reasons can always be found for treating as public-infrastructure projects almost anything that takes ministers' or officials' fancy (and this tends to be emulated at the municipality level as well).

5. Continuous inflation of the share of the economy taken by the public sector is built-into such a system. Sure enough, Åland does indeed have (according to *tidningen Åland*) a public sector proportionately larger than that of any comparable economy.

Provision continued to be made under the 1991 act for the granting of capital sums from the Finnish Treasury to meet ad hoc extraordinary expenditures. Needless to say, in the prevailing climate this facility at one and the same time reinforces Åland's sense of dependency and provides central government with a further means for exerting control over Åländsk internal affairs. The latter was exemplified when - as already mentioned - they attempted to prevent Åland's projected new parliamentary and administrative complex from being built, ostensibly on grounds of cost but actually for entirely power-political motives:- they saw this (correctly) as a

deliberately high-profile assertion of Åländsk aspirations for self-government, and reacted in the same spirit in which the Soviet Union was wont to react to similar manifestations from its satellites. (Note that there was no question of central government saving the money they were planning to spend on their own new building in Mariehamn; it got built too).

### **An alternative scenario**

Having been so critical obliges me, I think, to make clear (whilst remaining mindful of my humble role as a mere observer) where I myself stand. In the first place, my own belief is that the Ålanders' real interests would be likely to be much better served by Åland's continuing to be part of Finland than by its becoming an independent "micro-state" - *provided* that the promise of full autonomy were to be fulfilled. So I would like to see Åland become without further prevarication as autonomous as the Farö Islands, the Channel Islands, the Azores and the Isle of Man are (to name but four benchmarks - doubtless one could cite others). I would not see the "klumpsumma" or "flitpengar" being continued were this to come to pass. Rather, all revenues needed to pay for whatever public provision the people of Åland decided through the ballot-box that they would wish to have would be raised on Åland. A fully-autonomous Åland government would not have bound itself in advance to conform with *any* pre-existing pattern of expenditure or of taxation nor would the people of Åland, in deciding what tax regime is right for them, be constrained by anything other than relevant provisions of international treaties to which Finland is a signatory (as well as by observance of common international conventions regulating fair competition and good-neighbourly behaviour - provided that such observance is reciprocated).

I would fully accept that if - as Åland's detractors on the mainland would have the public believe - Åland is indeed currently a net recipient of subsidies paid-for by the Finnish taxpayer then the discontinuance of any such subsidies would automatically result either in the amount of tax collected on Åland having to be increased, or the cost of the public services provided having to be reduced, or loan finance having to be raised by the government of Åland to plug the gap (and this new debt serviced thereafter) - or some combination of these. I myself can have no idea which way the balance would go. But nobody else will really know either unless and until autonomy becomes an imminent reality and, if that stage is ever reached, the experts will then have to work out what will be the available financial options after autonomy.

### **The "skatteparadis" chimera, and its (unacknowledged) implications**

There is an extraordinary ritual which, it seems, everyone in public life, not only in Helsingfors but in Åland too, always reverently follows. Any proposal to devolve taxation is by universal consent subjected to the following acid test:- would it or would it not cause Åland to become a "skatteparadis"? The term is nowhere defined but what Helsingfors seems to mean by it is:- *that no person or business located on Åland shall be allowed to be more lightly-taxed than the same person or business would be if located on the mainland*. If a proposal "fails" this so-called test, it is (no matter how sensible) automatically regarded as being a non-starter. This ritual merits a number of comments.

The first is that the word "ritual" accurately describes the process that actually takes place. At its core is a doctrine, which is never questioned; no independent thought is expected and no suggestion that the doctrine might not be true is ever voiced. On each occasion, the same mantra

is repeated by all the participants and is always mechanically answered in the same way. Secondly, this ritual has been allowed to supplant the normal political process. In the normal political process, a demand that one party bind itself to a permanent commitment never to do something which the other party objects to would *not* - in a democracy anyway - be unquestioningly accepted. Instead, the party making such a demand would be challenged by the other party to show some convincing justification for it, and this would be thoroughly debated and the demand either modified in the light of that debate or withdrawn. None of this has happened (to my knowledge) in relation to the Helsingfors "skatteparadis" diktat.

The important thing to note is that the automatic and unchallenged use of the "skatteparadis-test" puts a permanent power of veto into the hands of the central government over an Åland government's power to decide its own tax-regime, one judged by itself to be best suited to Åland's own requirements, because Åland's government - regardless of any democratic mandate obtained from their electorate - could at any time be prevented from diverging from the tax-regime happening to have been legislated-for on the mainland. Thus, by this back-door means, central government could continue to exert just as great a stranglehold in the future over the Åland government's freedom to run their own affairs as they do now.

Some partial devolution of taxation (such as is now due to be discussed between central-government and Åland ministers, following kansler Bertil Roslin's report on this subject) would - if it took place under such conditions - only be yet more sleight of hand intended to deceive people into believing that central government was giving away power, whilst in actuality it would be keeping just as tight a hold on the reins as ever.

### **Is there any way forward?**

If only Finnish politicians and (perhaps) senior civil servants could bring themselves to take council and to learn from their Danish counterparts! They might then, at long last, begin to see something which has always been as plain as the nose on their face:- that since, for good or ill, it is an historical fact that Finland did promise full autonomy to Åland, *and that it is not tenable for Finland to go on trying to pretend it never happened*, it would be far better for all concerned that the Finnish government honour its promise, with good grace, rather than concede with bad grace a sham-autonomy which leads only to unnecessary friction from which everyone is poorer and no one benefits (except the mischief-makers on either side).

What are the chances of leading mainland politicians undergoing this kind of damascene conversion? At present, apparently nil. No Finnish government minister ever betrays the slightest sign of doubt as to the absolute rightness of his or her position. Their minds are made up, their course is unalterably set, they *know* they are in the right. People who behave in this way are signalling clearly that they are not open to reasoned argument - indeed, that they are not even willing to give it a hearing. The only way they are going to change their position is if they are forced to. It is all too plain that they know no other way - and are not interested in exploring any other way - of governing the country. Unless central government releases itself (or is released) from what it purports to believe is its obligation to govern Åland in exactly the same way as the rest of Finland, it will go on raising insuperable obstacles to autonomy. But since it appears unalterably convinced that it has no other choice, it cannot bring itself to release itself from that obligation. Which comes first - the chicken or the egg?. On the one hand, the Finnish

state has been committed since 1919 to granting unconditional and complete autonomy to Åland; on the other its ministers (now as always) continue to insist that they are duty-bound *in perpetuity* to answer to the whole electorate for governing all of Finland as a unitary state, exactly as if no such commitment had ever existed! These two propositions are mutually exclusive and, since the historical commitment cannot be **un**made without re-writing the historical record, it follows that the opposing proposition cannot stand - in logic at any rate.

But, sadly, successive Finnish governments up to and including the present have made the elementary error of trapping themselves (and Åland's leaders along with them) in a blind alley which is entirely of their own making, from which their field of vision is narrowly restricted. The only way out of it is to take a (metaphorical) pole and *vault* over the wall they themselves have built so that alternative, wider, perspectives can come into view. Those engaged in the present sterile argument are probably (by reason of that engagement) incapable of rising unaided to that challenge. If that is indeed the case the intervention of some third party is needed to help them do so; a third party moreover whose primary motivation is the good of Finland rather than some narrower pursuit of personal ambition or party-political advantage.

An intervention such as this ought properly (and originally was intended) to be part of the role that the office of President performs but its powers have lately been so weakened (in regard to domestic matters at least) as to make it unlikely that such an intervention would be accepted even if it were attempted. (In point of fact, could "the Åland question" correctly be described as solely a domestic matter? Given the history, surely not!). Be that as it may, if - in the present state of the power-struggle in Finland - the sitting President is effectively debarred from being able to intervene, then perhaps the mediation of ex-president Martti Ahtisaari might be more acceptable, to both parties...? No one could doubt his qualifications for such a task. Perhaps he would be able to succeed in persuading the warring factions here to resolve their differences, as he clearly was in Aceh. Or perhaps the Speaker of the Riksdag...?

Considered coolly, what on earth is there that is so sacrosanct about the personal prestige of a few politicians that could conceivably justify the risk of driving the Ålanders to secede? With the advantage of hindsight it is possible to see where mistakes were made. Instead of learning from them why compound them further? In what way could Finland's vital interests conceivably be damaged by allowing 26,000 of its citizens living in a close-knit Swedish-speaking community on a group of offshore islands to govern their own affairs, as - with the Danish government's blessing - do the inhabitants of the Farö Islands? By at long last showing the generosity of spirit and the farsightedness to abandon its resistance, central government could instantly dispel the strong sense of grievance which otherwise will continue to fester on Åland and increasingly tend to poison relations. Is it too much to plead that wiser councils and maturer judgment should at last prevail?