



# **AN ESCAPE FROM A RESOURCE CURSE**

## **THE CASE OF FINLAND**

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# THE CURSE OF NATURAL RESOURCES

- **SINCE 1960 RESOURCE RICH COUNTRIES HAVE GROWN LESS THAN RESOURCE POOR COUNTRIES (AUTY)**
- **IS THIS GENERALLY VALID?**
- **ALSO IN HISTORY?**
- **WHAT ABOUT FINLAND?**



# **WE SEE NO RESOURCE CURSE IN FINLAND.**

## **FACTS:**

- GROWTH & CONVERGENCE**
- TERMS OF TRADE DEVELOPMENT (PREBISCH HYPOTHESIS NOT TRUE)**
- PRODUCT AND PROCESS DEVELOPMENT**
- DIVERSIFICATION IN MANUFACTURING AND EXPORTS**
- CREATION OF FORWARD AND BACKWARD LINKAGES (HIRSCHMAN, SENGHAAS)**



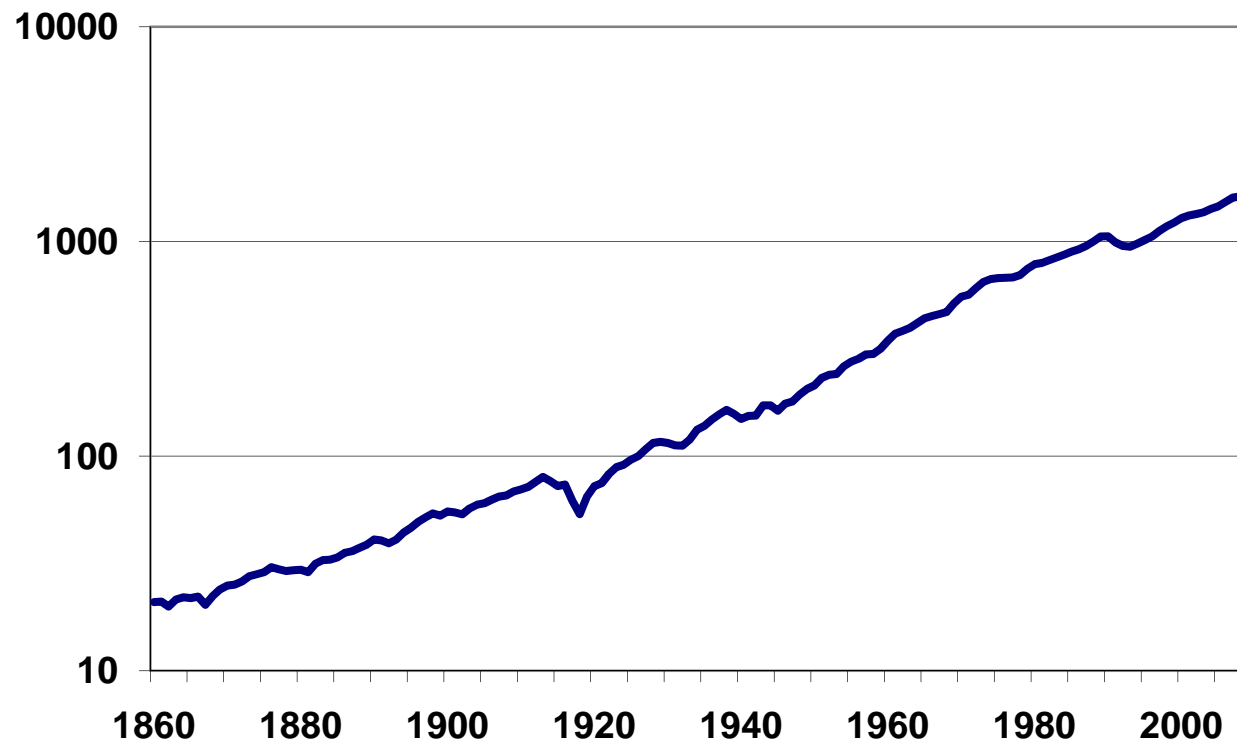
# CHARACTERISTICS OF THE FINNISH LONG-TERM GROWTH

- AVERAGE GROWTH 2.9 % SINCE 1860
- EXPORTS OF FOREST PRODUCTS (ESPECIALLY SAWN WOOD) STARTED TO RISE
- CONVERGENCE
- TRADE IN RELATION TO GDP HIGH SINCE 1870, BUT LARGE FLUCTUATIONS DUE TO WARS

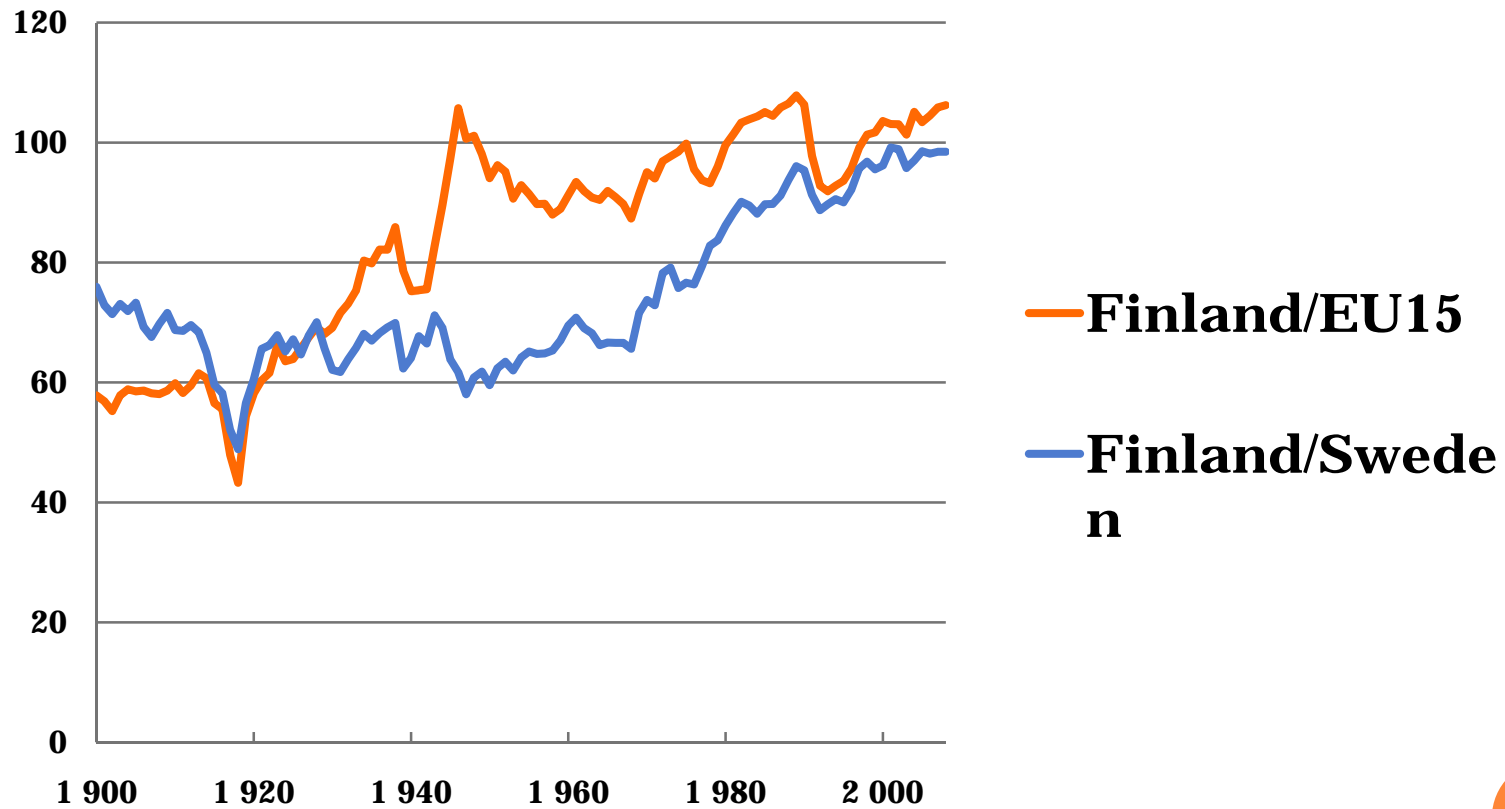


# Volume Index of Finland's Gross Domestic Product in market prices, 1860-2009 (1926=100).

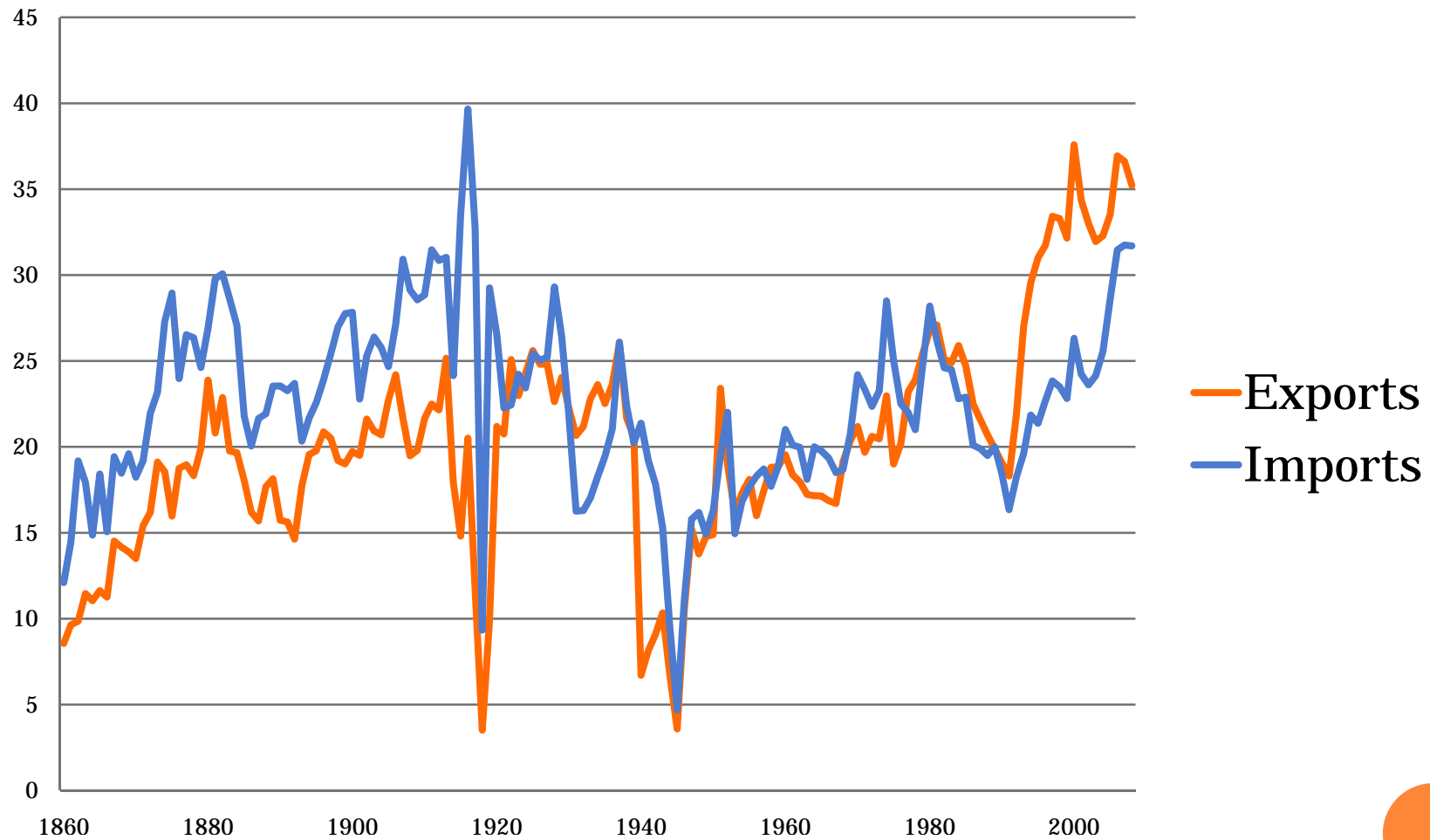
Average annual growth 2.9 percent.



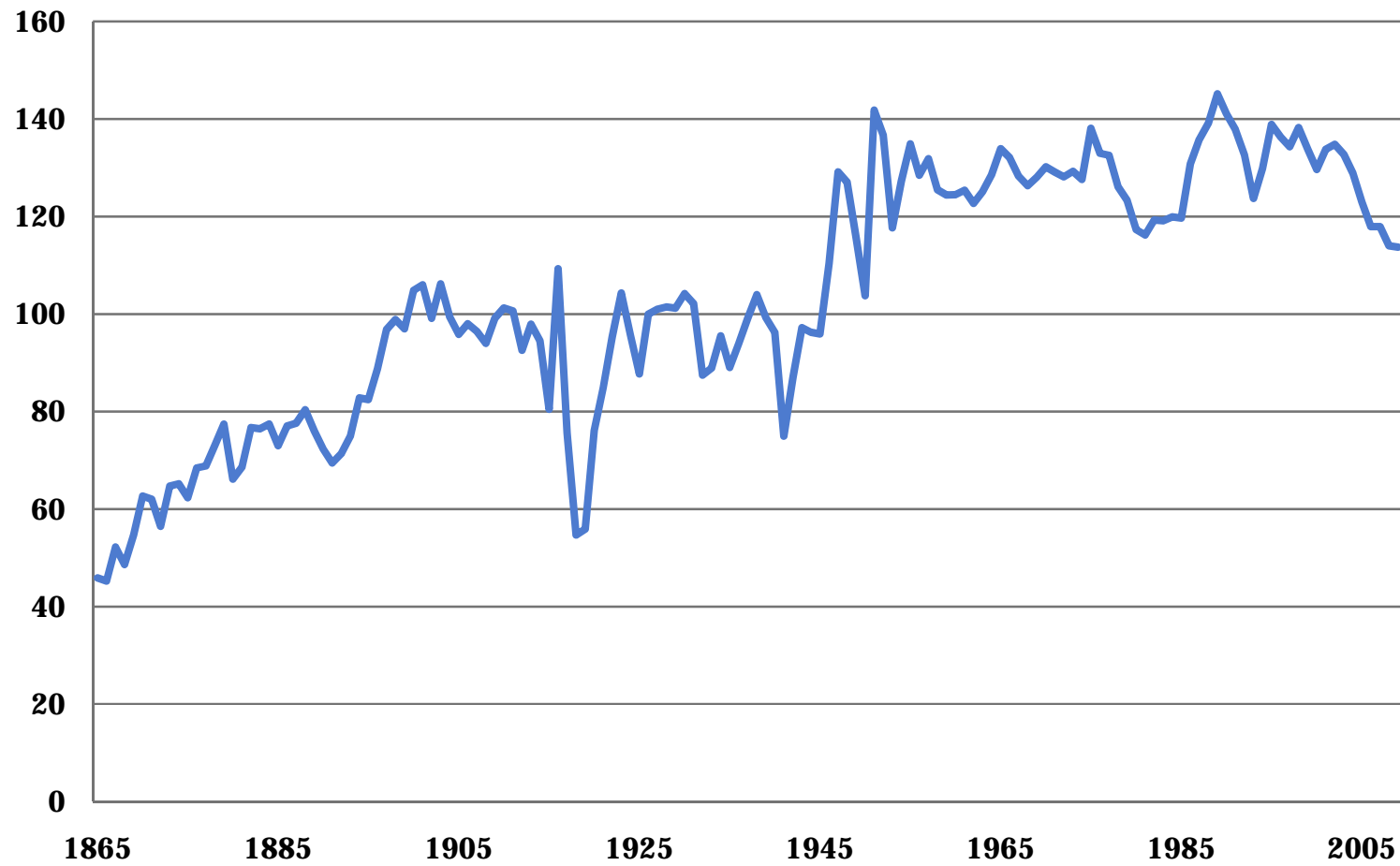
## Finland's Gross Domestic Product per capita percent of EU15's and Sweden's, 1900-2008.



## Exports and imports of goods in relation to GDP, 1860-2008, percent.

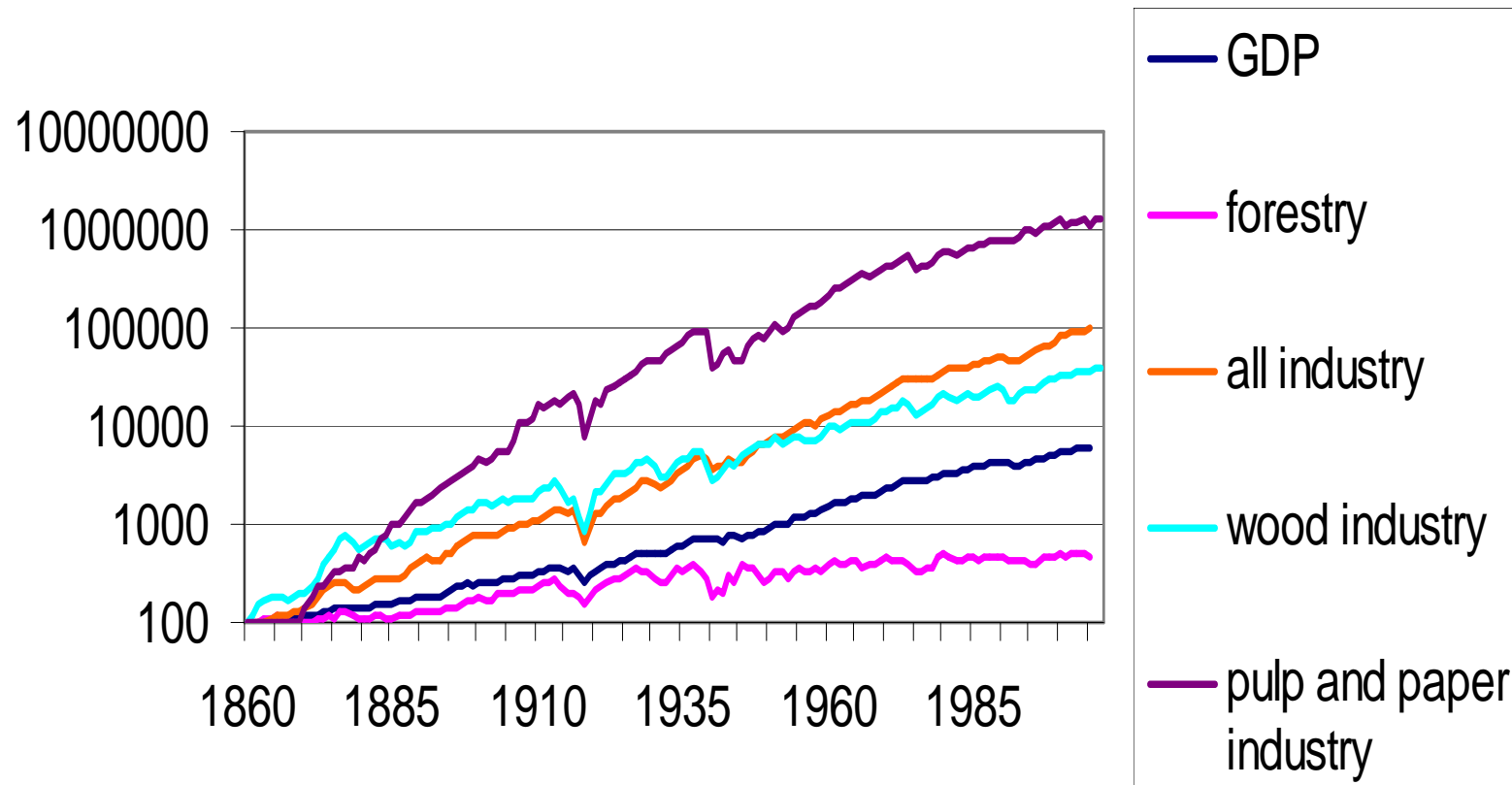


## Terms of trade in the Finnish foreign trade, 1865-2009 (1926=100)

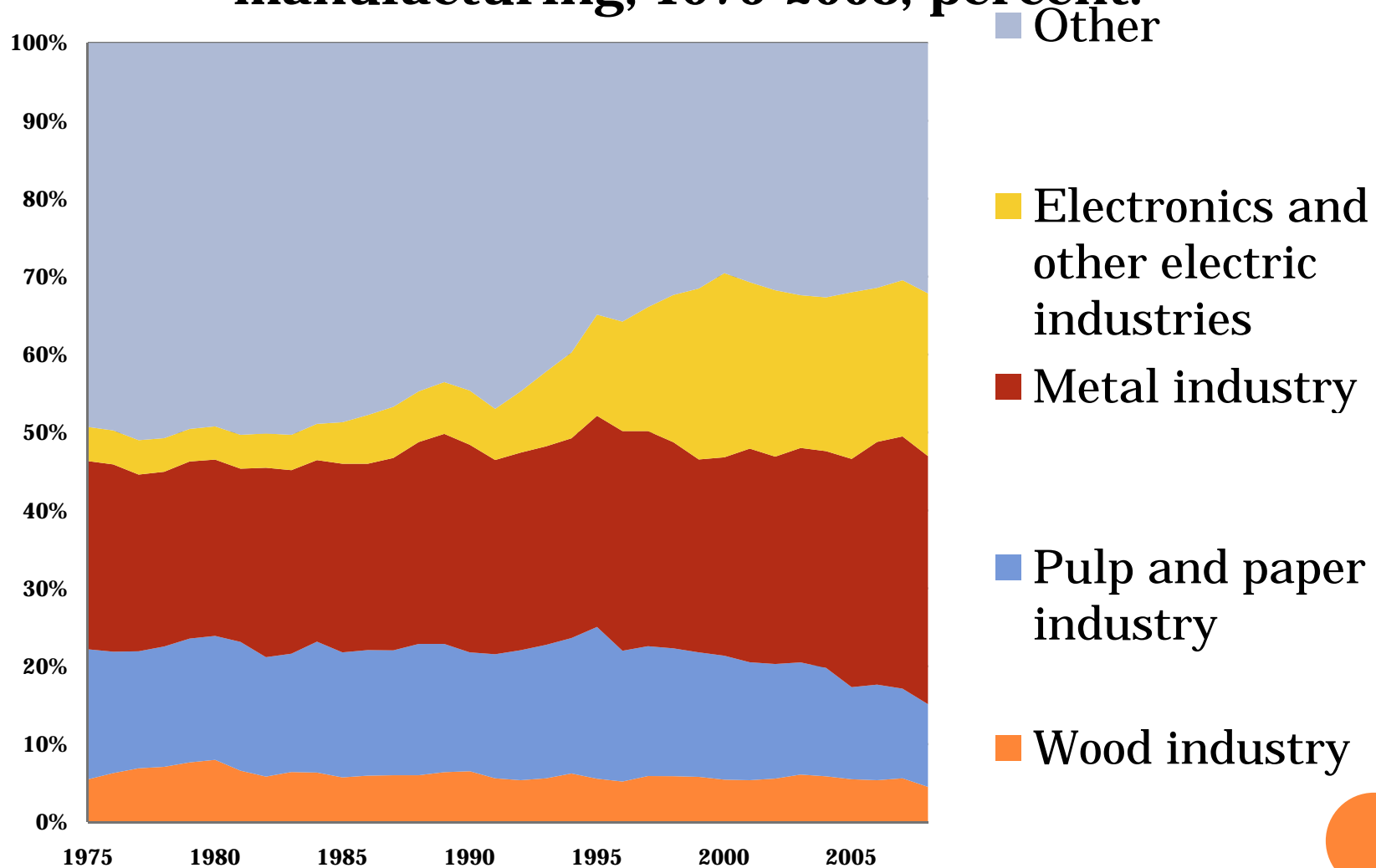




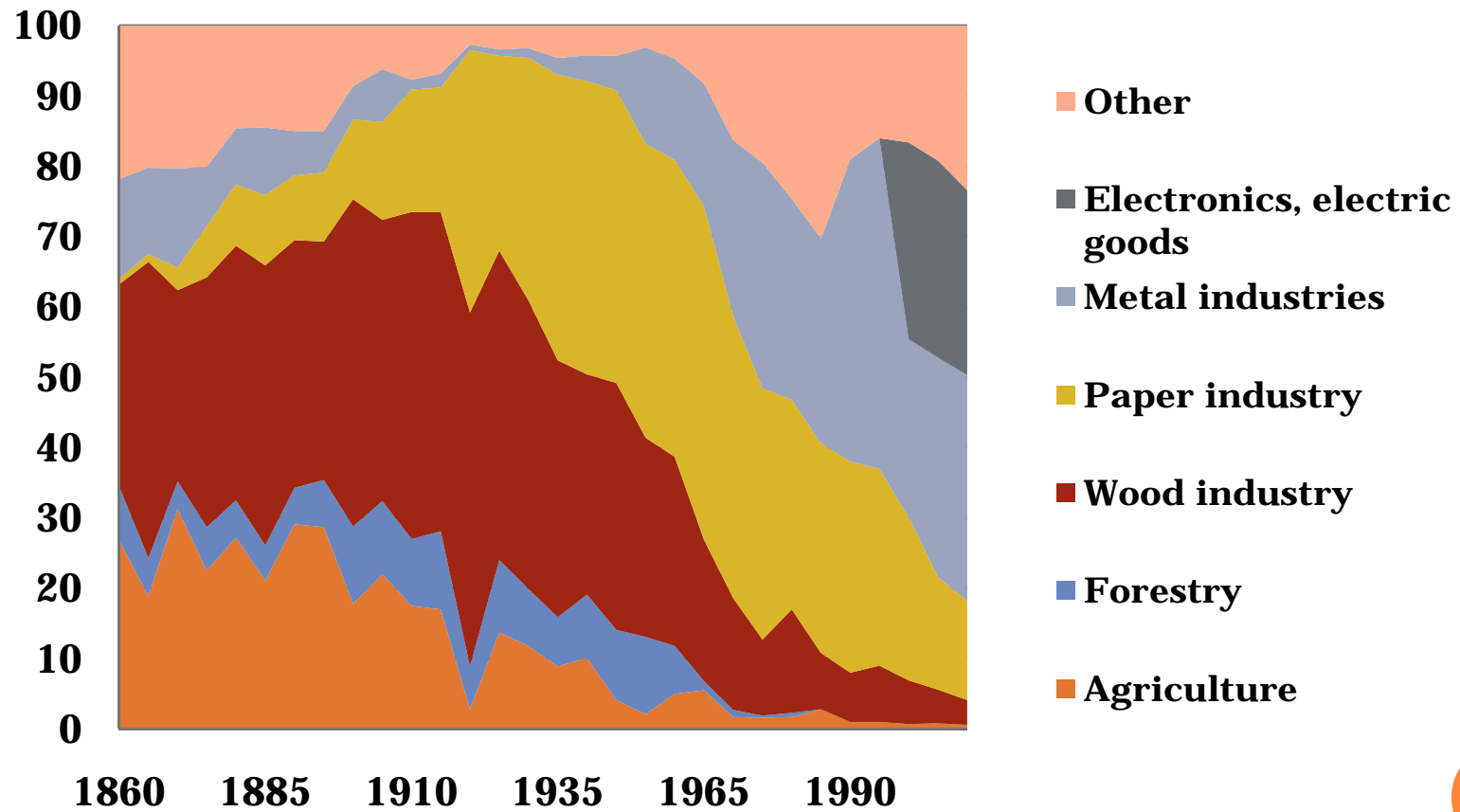
# Volume indices of Finland's Gross Domestic Product, forestry, all industry, wood industry, and pulp and paper industry, 1860-2007. 1860=100.



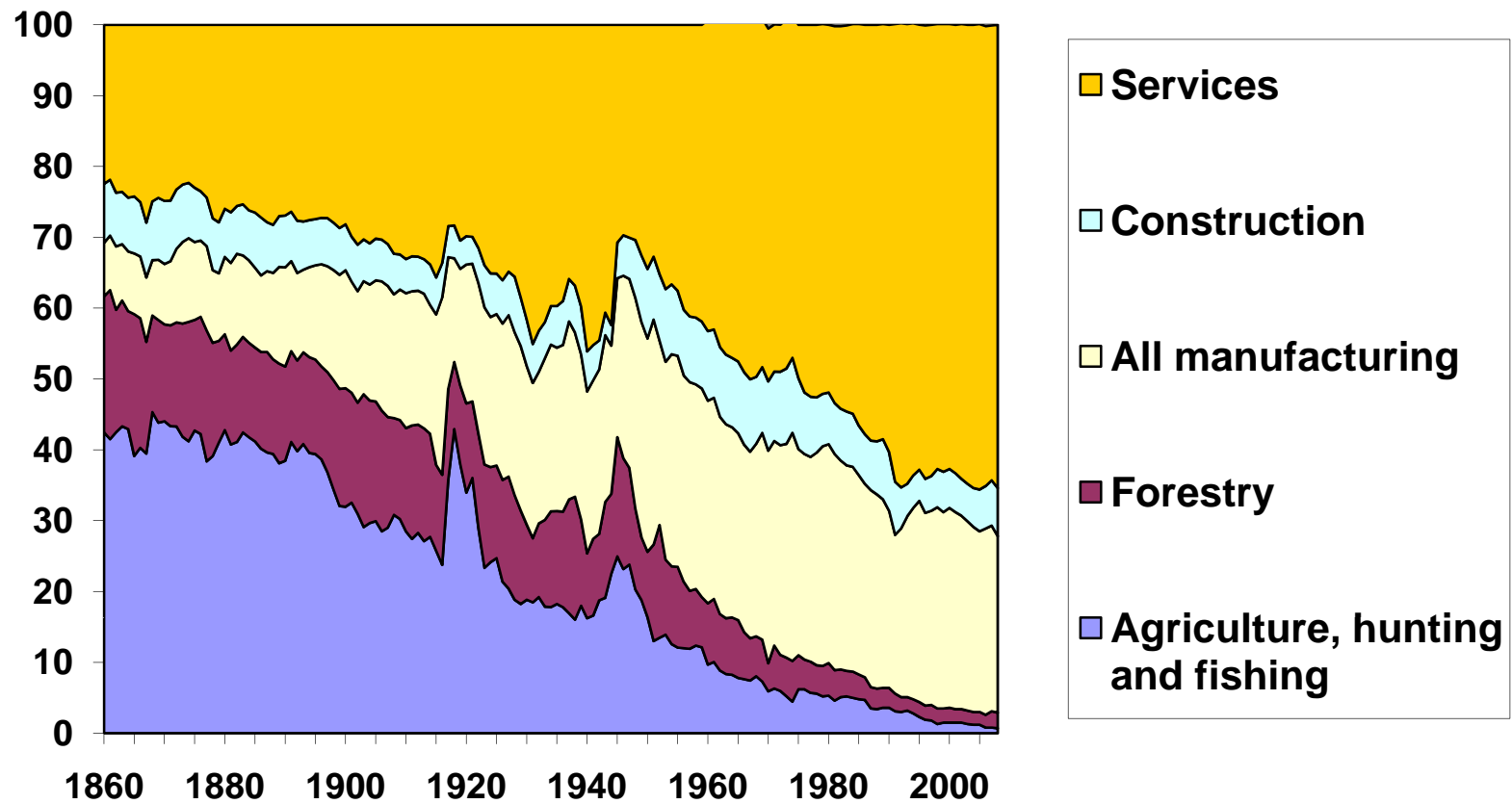
## Shares of industries in total manufacturing, 1975-2008, percent.



# Structure of exports of goods 1860-2008, percent



## Proportions of major industries in Gross Domestic Product, 1860-2008, percent.



# EXPLANATIONS

- OWNERSHIP OF LAND AND FORESTS
- ACQUISITION OF FOREIGN MANAGERIAL AND TECHNOLOGICAL KNOW-HOW
- ULTIMATE CONDITIONS FOR GROWTH



# OWNERSHIP OF LAND/FORESTS

- PRIVATE OWNERSHIP OF SMALLFARMERS DOMINANT, MORE THAN 50 % OF FORESTS, STATE 40 %, COMPANIES LESS THAN 10 %
- LABOUR INCOME FROM LOGGING IMPORTANT
- FOREST PRODUCTS EXPORTS CREATED INCOMES. WHICH WERE WIDELY SPREAD IN THE SOCIETY
- DAIRY PRODUCT SALES FROM FARMS DUE TO INCREASE OF AGRICULTURAL PRODUCTIVITY
- LED TO THE CREATION OF DOMESTICALLY BASED CONSUMPTION



# KNOWLEDGE

- INDUSTRIAL LEADERS ACQUIRED FOREIGN KNOW-HOW EARLY
- STUDIES AND VISITS OUTSIDE FINLAND (ESPECIALLY IN GERMANY)
- MANAGEMENT SKILLS WERE DEVELOPED
- ENGINEERING KNOW HOW WAS ADOPTED



# ULTIMATE SOURCES OF GROWTH

- **INSTITUTIONS (MADDISON, NORTH)**
- **SWEDISH LEGAL INHERITANCE**
- **HIGH RESPECT OF LAW AND ORDER**
- **SOCIAL CAPITAL (TRUST IN COMMERCIAL RELATIONSHIPS)**
- **WELFARE STATE (SUPPORTED THE DEVELOPMENT OF LABOUR FORCE AND CONSUMER DEMAND, EQUAL DISTRIBUTION OF INCOMES)**





# CONCLUSIONS

- **OWNERSHIP STRUCTURE**
- **KNOWLEDGE**
- **INSTITUTIONAL FACTORS**
- **ALL VERY MUCH PATH  
DEPENDENT**
- **LESSON: FACTORS ABOVE  
CANNOT BE EASILY  
CHANGED**

