



# Reconstruction in Finland

by

Eljas KAHRA

*Chief of Division  
in the Finnish Ministry of Communications and Public Works*

## LOSSES UNDER THE PEACE TREATY

**T**HE WAR between Finland and the U.S.S.R. ended with the peace at Moscow on 13 March 1940. Under the Treaty Finland had to cede to Russia nearly the whole of Karelia and certain minor areas in the north of Finland, in all, about 40,000 square kilometres. In addition, the town of Hangö with the surrounding district was leased to the Soviet Union for thirty years.

The importance of the ceded areas to the economic life of Finland was considerable. By the Moscow Peace Treaty the country lost some 2½ million hectares of forest land, corresponding to 11 per cent. of the total area of such land; 260,000 hectares of arable land, or 10 per cent. of the total; and a number of industrial establishments. There were large cellulose and paper factories and saw-mills as well as other industries on the ceded territory, and the combined value of their output amounted in 1938 to 2,300 million Finnish marks<sup>1</sup>, or about 10-11 per cent. of the total industrial production of the country. The loss of the great power stations at Rouhiala and Ensö, which together represented 194,000 kilowatts, is a particularly severe one in the present circumstances. As regards means of communication, 1,000 kilometres of railway line were lost, together with rolling stock, a few large export ports, and the southern part of the Saima Canal; the last item means that the Canal, which is particularly suitable for timber transport, can no longer be used by Finland as a traffic route.

---

<sup>1</sup> One Finnish mark is equivalent to about 2 cents (U.S.).

Apart from the cession of territory, much other property belonging to the State, the local authorities, and private persons was lost. According to the investigation made to ascertain the compensation due from the State for the loss of property on the ceded areas, the total amounts involved reached the sum of 10,600 million marks.

The losses on the home front, on the other hand, were not so extensive, or at least not so great as the preliminary estimates had suggested. They have now been investigated and the aggregate results are as follows: 810,782,000 marks for real property, 255,361,000 marks for personal property, and 263,432,000 marks for other damage, bringing the total amount to 1,329,575,000 marks.

To these material damages should be added the costs of the war, for which no official figures are available. They have been estimated, however, in the economic periodical *Talouselämä* at about 10,000 million marks.

Among the injuries which cannot be expressed in terms of money, but for which the community must be liable before all else, there is the great loss of human life and—what is felt even more bitterly by many—the serious war injuries which have disabled thousands of men.

As against all these losses, it should be recorded that the Karelian population as a whole moved from the ceded areas to Finland. In spite of its losses, therefore, the Finnish nation remained undivided and vigorous, prepared to set about the work of reconstruction with the whole of its well-known energy and tenacity.

The measures which are intended to build up again what has been destroyed by the war may be divided into two groups: (1) those which aim at repairing material damage or caring for the families which have lost their breadwinners in the war and for the persons who have been seriously injured in the heavy struggle for national freedom, with as little delay as possible; (2) reconstruction work aiming at long-range results.

#### MEASURES FOR THE REPAIR OF INJURIES

##### *War-Disabled Men, War Widows and Orphans*

The most urgent task in the work of reconstruction was to provide economic security for the men disabled in the war and the families of the fallen. As the State Accident Insurance Office was overwhelmed with work, various kinds of allowances were granted as a provisional measure. Recently, a new Act was passed which standardised the system of relief and increased the daily allowances and the pensions granted. The disabled are now also being cared

for in a new way, in the form of work. In other words, the State pays for their vocational training, finds them jobs, and, if necessary, supplements their earnings with an allowance so as to ensure that they receive a specified minimum income. The principle adopted is that the minimum income shall amount to two-thirds of the disabled man's former income, subject to a maximum limit of 24,000 marks if he has no dependants and 30,000 marks if he has dependants. In calculating the minimum income, all sources of income are taken into account.

The measures taken by the State naturally cannot be sufficiently elastic to cover the great variety of cases which occur. They are effectively supplemented by the measures adopted by the Finnish Red Cross, often in conjunction with various organisations for disabled men. The Red Cross possesses several hospitals and convalescent homes as well as a polyclinic for the disabled. Vocational training has been organised in the Institution for the Promotion of Industries and in various trade and handicraft schools. A special branch of the care of the disabled consists in the granting of allowances for purposes which are likely to improve their economic situation in a lasting manner. Thus assistance has been given for the equipment of dwellings, the acquisition of a home or livestock and tools, the cultivation of new land, etc.

### *The Relief of the Evacuated Karelians*

As already stated, the whole of the Karelian population emigrated to the territory now forming the Republic of Finland. They had very little opportunity to take any kind of property with them. Their cattle had already been evacuated, but apart from that, all that could be saved was perhaps their money, but very little else.

Even during the war, the Ministry of Internal Affairs had set up a special section for the care of evacuated persons and their property. In each commune (the unit of local administration) to which the evacuees were sent, a guardian was appointed, whose duty it was to arrange for their billeting and other care. The number of these guardians is at present about 440. They are elected from among the local population, but arrangements have also been made to enable the evacuees themselves to share in the administration, primarily in an advisory capacity.

The evacuation took place during and after the war in accordance with a plan prepared in advance. In the spring of 1940 it was found necessary, however, to make substantial changes in order to arrive at a more even distribution. The final placing of the evacuees is effected, in so far as the rural population is concerned,

in connection with the system of quick land settlement (described below), whereas the placing of the urban population and industrial workers depends on where they have a prospect of steady employment.

It is the State which bears the cost of the care of evacuated persons, but its obligations are limited in three ways. In the first place, the State assistance applies only to persons who have been evacuated compulsorily (a condition deemed to be fulfilled in the case of the transferred Karelian population); secondly, it comprises only the granting of board and lodging; and thirdly, the persons in question must be in need of the assistance of the community. According to the provisions in force, the daily allowance may be as much as 12 marks for adults and 8 marks for children of under 15 years. In practice, however, the cost amounts to only 6-8 marks a day.

As the State undertakes to provide board and lodging only, it is clear that the persons who did not succeed in saving any of their property when they fled from their homes would have become destitute, since they lacked everything a man needs to be able to manage in the struggle for life. Here, private relief associations have made their contribution. The work is undertaken first and foremost by the Finnish National Relief. This central relief organisation, with its provincial and communal committees, was founded to receive and distribute the money and goods which flowed into the country in abundance through the Hoover collection and from the United States Red Cross. Since January 1940 gifts in money and kind have also been made direct to this voluntary relief organisation on an increasing scale.

The Finnish National Relief has striven to give first aid to the evacuees. Although the daily allowance granted by the State is sufficient to provide them with their daily bread and shelter, it gives no scope for more basic purchases. The National Relief assists the evacuated persons, according to need, by providing clothes, household goods, tools, building materials, bicycles, and other necessities, chiefly to the end that they may become self-supporting as soon as possible. In addition, it has undertaken the care of the health of the evacuated persons, provided for their intellectual needs, opened sewing rooms for the women, and in brief, tried to fill the gaps that are inevitable in any large-scale activity such as the care of evacuees.

A very important part of the work done for evacuees is their placing in employment, but this subject will be dealt with later in connection with employment market questions.

*Repair of Damages Due to Bombardment*

Special legislation has been passed for the purpose of spreading the burden of the injuries caused by the war as fairly as possible among the whole population. If the damage was caused by the actions of Finnish troops, it is compensated in accordance with the legislation concerning a state of war. If it was due to enemy operations, the compensation is governed by two Acts; the first, dated 14 December 1939, relates to real property, and the second, dated 12 March 1940, to personal property.

Under the first of the two Acts, insurance is compulsory for the following property: (1) buildings on which a mortgage is allowed and which have been insured against fire for not less than 50,000 marks; (2) buildings which have been erected on the same estate, can be mortgaged, and have been insured with the same insurance institution for not less than 50,000 marks; (3) machinery belonging to the aforementioned buildings, and accessories. Under the second Act, any personal property, belonging to a Finnish citizen, which is insured against fire for a total amount of not less than 10,000 marks is compulsorily insured. The war insurance scheme does not cover money, bonds, bills and other securities, gold and silver bullion, and explosives.

War insurance under these two Acts is administered by two insurance associations, composed of all insurance institutions which have the right to engage in insurance business in Finland. The provisions concerning compensation for damages are included in the terms of insurance policies. The system has at least secured that there will be an economic basis for the repair of damaged houses and the reconstruction of those which are in ruins. But the evaluation of the damage has taken time. Owing to the shortage of capital and difficulties in the way of obtaining foreign building materials, the work has progressed unevenly in different districts, but much of the damage has already been repaired.

*Promotion of Land Reclamation*

As was stated at the outset of this article, Finland has had to cede to Russia some 260,000 hectares of arable land. As the population of the ceded territory has moved to this side of the present frontier, it is obvious that the food supply situation has been seriously disturbed. It is therefore of great importance, especially in the present exceptional circumstances, to raise the production of foodstuffs to the former level as quickly as possible. The most effective means of doing so is to clear waste land for cultivation and

pasturage. The reason why Finland was practically self-supporting in recent years lay very largely in the system of special bonuses granted to intensify the cultivation of waste land. The total area of land under cultivation was increased by about 600,000 hectares during the period 1920-1938, about half of the increase consisting of holdings for which bonuses were granted. On this basis the Government introduced a Bill on 7 June 1940 to set aside funds for granting bonuses for newly reclaimed land. The Bill was passed with certain amendments, the most important being to the effect that bonuses might be granted also to any public utility association approved by the Government which undertakes to clear new land for cultivation or pasturage with a view to the settlement of the transferred population. A company of this kind has in fact been formed; it has a large labour force and up-to-date equipment (tractors, etc.). According to the plans, the end in view is to clear an area corresponding to that of the lost arable land in the course of four to five years.

It should perhaps be mentioned in this connection that plans are now being drawn up for an intensified agricultural campaign, for the purpose of securing the national food supplies during the next consumption period.

#### LONG-RANGE RECONSTRUCTION MEASURES

If the work of reconstruction could have been limited to repairing the injuries caused by the war on the Finnish side of the new frontier, the task would not have been so difficult. But it becomes more complicated when a secure existence has to be provided for some 450,000 evacuated citizens who have lost their all. If this end is to be attained, there must be wise planning, energetic and purposeful work, and, above all, capital.

The economic basis for this work has been provided in part by an Act of 9 August 1940 respecting the compensation of property lost through the cession of territory, and in part by another Act of August 1940 concerning the capital levy. Under the first of these Acts, property valued at up to 320,000 marks is compensated in full. After that the compensation is on a degressive scale, so that for property valued at 640,000 marks it amounts to 85 per cent., for 1,280,000 marks it is 70 per cent., for 2,560,000 marks, 55 per cent., and so on, reaching 10 per cent. for property valued at 40,960,000 marks and over. The second Act imposes a capital levy on a progressive scale, ranging from 2½ per cent. on property valued at not less than 40,000 marks to 20 per cent. on property valued at 40,960,000 marks and over. The levy, which is payable

in ten half-yearly instalments, is not estimated to yield the whole amount needed for the payment of this compensation, and the deficit must be met out of State funds. The system is complicated and a detailed account would be out of place here. It may be of interest, however, to mention the statement made by the then Prime Minister, now the President of the Republic, during the debate in Parliament which preceded the reference of the Bill to Committee:

The question now is not one of obtaining funds for the State to be used for its own necessities; it is a question of transferring real property from one part of the population to another. The levy is only the means by which this transfer will be made. The object is not to give the Karelians money, and therefore purchasing power, without cover, but to transfer to them in compensation for the property they have lost a certain amount of real property which is now possessed by others or which will be created in the future. The matter must be arranged in such a way that cash is used as little as possible and that payments are made as much as possible in kind, the accounts being settled by a sort of clearing arrangement.

The measures for securing that the evacuated population will have a means of livelihood will differ according as the people in question belong to the agricultural population or are persons who earned their living in industry, commerce, handicrafts, or other occupations or kinds of work.

### *Land Settlement*

The evacuated population comprises about 450,000 persons, of whom about 180,000 are estimated to belong to the farming population. They have to be placed on the Finnish side of the new frontier in such a way that they will have an opportunity to carry on with their former occupation. With this end in view the Government introduced a Bill for the speedy settlement of the transferred population on the land. This Bill was passed by Parliament and the Act was promulgated on 28 June 1940.

Any adult Finnish citizen who moves into Finland or is transferred from an area bordering the new national frontier to another locality in Finland and who earned a living, or possessed a dwelling in and earned part of his living, from the land or from fishing as the owner or part-owner of a holding, or as the tenant of a State holding in his former domicile, has a prior right under this Act to land provided in accordance with the existing Land Settlement Act and to loans issued out of land settlement funds. In addition, he has a right to land provided under the Act itself.

The land to be provided in each locality for this purpose is primarily State land. Where other land cannot be obtained by

voluntary transfer, the following property may be expropriated for the purpose: land belonging to the residences of the clergy and organists of the Evangelical Lutheran and Orthodox Churches; land belonging to the said churches or to communes, companies, and other associations, and holdings which have been the subject of speculation or have been neglected; land belonging to persons who derive their main income from an occupation other than agriculture or who do not themselves reside on the holdings they own; any other land suitable for the purpose, subject to certain exceptions.

According to the Act, three kinds of holdings are to be formed: for cultivation, for housing, and mixed holdings. If possible, they are to be grouped in settlements; the housing settlements to be in localities where the owners have an opportunity to earn a living, and the mixed holdings in localities where a favourable market for their products will allow of intensive cultivation, or where there are adequate openings for subsidiary earning.

The central management and supervision of the quick settlement scheme is entrusted to the Land Settlement Section of the Ministry of Agriculture. The following bodies are set up for the local administration of the scheme in those communes where its application is considered possible: quick settlement committees, courts of enquiry, inspectors of quick settlement plans, and land settlement boards.

The Land Settlement Section of the Ministry of Agriculture has had the immense task of deciding how many holdings are to be created in each province and what kinds they are to be. It is the duty of the quick settlement committee in the commune, after inspecting the site, to draw up a plan for the opening up of State land and the expropriation of other land needed for the scheme. The boundaries of the sites covered by the plan must be staked off and marked on the map, and the necessary documents must be prepared. Thus the decision as to the expropriation of land is taken in connection with this preliminary inspection. It should be noted, however, that everything possible is done to promote voluntary transfers.

If the owner of the land is not satisfied with the plan made on the occasion of this inspection, he may notify his complaint at the final meeting of the committee. In such cases the plan is examined by the court of enquiry after an inspection made on the spot. No appeal is allowed against the decision of the court.

A committee must be appointed in every commune to consider applications for the new holdings, and it is the duty of the quick



settlement committee to transmit all documents relating to the new holding to this committee. The Central Federation of Agricultural Societies is responsible for organising and supervising the clearing and occupation of the areas intended for settlement. It must prepare the road-building, land drainage, clearing, and building plans necessary for settlement, and enter into a farming contract with the future occupier for a period of five years. The Federation must also see to it that all this work is carried out speedily and efficiently. Bonuses are granted for the clearing of land. Once the clearing and construction work on the area has been completed or has been carried so far that the farmer can be expected to complete it for himself, the Central Federation must transmit to the Land Settlement Section of the Ministry of Agriculture copies of the documents describing the property and assessing its value and of the farming contract concluded with the farmer, together with a statement of the State moneys which have been used to meet the cost of clearance and construction. These documents are to be taken into account in fixing the redemption money to be paid by the farmer to the State. The Land Settlement Section must see to it that the area in question is duly fenced off and converted into an independent holding.

The occupier of the holding redeems the cost by the payment of annual instalments to the State at the rate of 4 per cent., 3 per cent. being reckoned as interest and 1 per cent. as redemption. This payment begins five years after the conclusion of the farming contract. If he is compensated out of State funds for real estate or other property on land ceded or leased to the Soviet Union, such compensation must be used for the redemption of the State claim.

Seen in relation to Finnish circumstances, this quick settlement scheme is gigantic in its dimensions. According to the final general scheme 38,818 new holdings will be created, for which purpose 331,254 hectares of cultivated or cultivable land will be needed. An examination of the results of the work done by the quick settlement authorities up to the end of 1940, that is to say, during about four months' activity, shows, according to the statistics recently published in the periodical *Maanmittaus*, that 6,678 new holdings had been created and 4,208 staked off during this period. These statistics do not cover any holdings acquired by evacuated farmers through voluntary purchases financed out of State funds, nor do they give a complete picture of the work of the land settlement authorities, because it is impossible to illustrate much of the preparatory work by means of statistics, the results of such work becoming apparent only in the next working period.

*Measures on Behalf of Other Evacuees*

The number of evacuees who previously earned a living from industry, handicrafts, commerce, the liberal professions, and construction or other works is about 270,000. As yet there are no reliable statistics showing their situation on the employment market. But it is necessary to ascertain their conditions of work in order to be able to make plans for their economic security, and for this purpose a statistical enquiry is now in progress.

The task of providing a means of livelihood for this section of the population is particularly arduous because Finland, like other countries whose overseas paths of commerce go through the war zone, is placed in a difficult situation by the commercial war. As will be explained later, industry on the Finnish side of the new frontier is finding it hard to provide work for its own labour force, and its means of giving work to the evacuees are therefore very limited. As a stopgap, they have therefore had to be given employment on various kinds of reconstruction works, especially on those organised by the State itself.

In the meantime, however, intensive planning is in progress to investigate Finland's means of providing productive work for the evacuated population and for the growth of the population. The Government has appointed a production committee for this purpose, which began its work at the end of November 1940. There can be no doubt that Finland has the means of solving the problem. The country possesses large natural resources in the shape of forests and minerals, the latter having been discovered in such quantities in recent years that this branch of production can be seriously reckoned with as an important factor in Finland's future economic life.

The task to be carried out is partly that of making the national production greater and more various than before, and partly that of retraining workers who can no longer find work in their old occupation. A large proportion of the workers transferred from the ceded territory earned their living in the woodworking industry. There is practically no prospect of reviving this industry on the Finnish side of the frontier, in the first place because Finnish forest resources are insufficient to maintain production at the former level, and secondly because international competition in this branch of production is becoming more intensive every year. The workers must therefore be retrained and found an opening in other branches of activity. On the other hand, many of the other industries of the ceded areas have been revived, although no statistics are available on the subject.

The evacuees who do not obtain a dwelling under the Quick Settlement Act must be provided not only with the means of earning a livelihood but also with a dwelling. This is a very extensive task, which will take several years to carry out. Three Acts were promulgated in this connection on 19 December 1940. The first revised the conditions for obtaining loans under the State "own home" scheme by allowing them to be granted on second mortgage up to 40 per cent. of the building costs, the builder being entitled to obtain a first mortgage on the property for up to 50 per cent. of its value. In addition the Own Homes Fund was increased by 40 million marks. The second Act makes it possible for the communes to obtain housing loans for the construction of dwellings for large families in necessitous circumstances, and allows them to relend the money to public utility building companies. The sum allocated to this purpose is 50 million marks. The State may grant a guarantee instead of a loan. Large families housed in the buildings constructed out of such loans may also obtain a housing grant in the shape of reduced rents, amounting as a rule to 30-70 per cent. of the basic rent, depending on the number of children in the family. Under the third Act, loans may be granted out of State funds direct to housing companies, subject to certain conditions intended to prevent speculation. Here again a State guarantee may be granted instead of the loan.

The rate of interest on all these loans is 5 per cent. and the redemption period 25 years, subject to certain exceptions.

#### THE EMPLOYMENT MARKET

As mentioned above, the war between the great Powers and the accompanying sinking of vessels have very much restricted Finnish trade with oversea countries. That this has had a detrimental effect on our production and national supplies is easy to understand when it is remembered that Finland is one of the countries most dependent on its foreign trade. Finland used to export about one-third of its national production. Owing to the blockade, exports have declined to one-third of the normal, and the imports of foodstuffs, and especially of raw materials, petroleum products, coal and coke, and other ordinary necessities, have become very much more difficult. These difficulties have led to unemployment in the export industries and to some extent also in the home market industries. The cotton industry, in particular, is in difficulties owing to the inadequate and uncertain supplies of raw cotton. The cotton mills are therefore working short time. This means a decline in the workers' earnings, so that the State will clearly have to introduce a system of relief in

the near future, which can hardly be regarded as wholesome either for the workers or for the heavily burdened Treasury. The worst of it is that this forced restriction of production is taking place at a time when the evacuated population has to reconstruct its homes and acquire the necessary textiles for the purpose.

On the other hand, the demand for labour has increased in other quarters. The lack of foreign fuel imports has to be compensated by an increased cutting of wood for fuel; and public works of a reconstruction character are available to a considerably greater extent than in normal years. Industry, too, has been able to benefit in some measure by the demand for substitutes. General interest attaches to the growing production of alcohol from sulphite and of fodder from cellulose.

The result of all this is that there has not been much unemployment, except among women. At the end of January 1941 the unemployment boards reported a total of 6,874 unemployed in need of relief; of this total, 4,244 were referred to employment on works organised for the relief of unemployment. If this figure is compared with the 89,000 unemployed in 1932, including nearly 50,000 without any work at all, it is clear that unemployment is comparatively slight and consists mainly of seasonal unemployment. The number of persons registered with the employment exchanges as applicants for work on 28 January 1941 was 5,501, as compared with 5,006 two years earlier. The number of men had risen by 121 only, whereas that of women rose by 374.

These figures relate to the population in "former Finland". Among the evacuated Karelians there were 4,709 men and 3,586 women unemployed at the end of January. These figures are taken from the labour supply register of evacuated persons, which covers all able-bodied persons between the ages of 15 and 60 years who are in receipt of a daily allowance.

Taken as a whole, therefore, the situation on the employment market is fairly satisfactory. But it cannot be denied that it is at present very unstable, since the workers who have lost their jobs owing to depression have very largely been found employment in reconstruction work and not in normal production proper. If the imports of cotton and certain other industrial necessities become impossible or very much restricted, unemployment may become very serious. On the other hand, the shortage of labour is a cause for anxiety. At the moment this applies primarily to forestry work, where there is a shortage of 32,000 woodcutters and 19,000 carters. When spring comes the shortage will be very severe, unless the employment market is regulated in good time so as to ensure that

the labour absolutely needed for the most important kinds of work will be available.

The writer has tried in the preceding pages to outline the work of reconstruction now in progress in Finland. It may be said that this work is focused about two central points; the care for the men disabled in the war and the families of the fallen; and the measures for the economic security of the population transferred from Karelia. Both points are debts of honour of the Finnish people which must be paid. The work for the evacuees consists of two kinds of measures, the first intended to make room for the Karelian brothers in the productive life of the country as soon as possible, the second to provide for them for the time being, primarily in the shape of employment, as long as the first mentioned long-range measures are in progress. This work needs both labour and capital. The labour is there, if the supply is regulated in accordance with the importance of the works from the point of view of reconstruction, and if all works which can be carried out even when the ground is frozen are postponed until the winter. Of capital, it is true, there is a shortage, but the wise financial policy pursued by the Government has meant that financial difficulties have been mastered without recourse to methods involving inflation. The helm of the ship of State must be guided with a firm hand. That hand we have. But what is wanted above all is tough endurance, hard work, and a sense of community.