

Local Corporatism in Norway*

Gudmund Hernes, University of Bergen, Norway

Arne Selvik, The Institute of Industrial Economics, Bergen, Norway

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which bases its 'vertical' theory on the conflicting interests of workers and capitalists generated in the labor market and in the authority relations of production, corporatism sought to reduce this conflict through horizontal interest representation encompassing both employers and employees in the different sectors of the economy. Several corporatist theorists, of different political persuasions, envisioned a central body composed of representatives from the organized interests in the different sectors. Its purpose was partly to coordinate economic decision in the various branches of the economy, partly to resolve their conflicting claims on factors of production, and partly to set levels of remuneration for workers and employers in the various sectors.

Viewed this way, a corporate system could partly supplement and partly replace the market as the automatic regulator of decentralized economic decisions. Increased monetarization and extended markets led to an increasing division of labor, but also to greater potential for direct and indirect economic repercussions which might widen and amplify local or sectoral crises. Differentiated manufacturing not only produced goods, but also groups lodged in different economic positions that became carriers of different and potentially conflicting economic interests. Hence the market was not only a mechanism for decentralized coordination – it was also a major source of social conflict. This called for organized conflict resolution. By joint action between the affected interests and political authorities the *free price formation* could be modified (for example by public guarantees of minimum prices), *free entry* on the market could be limited (so as to prevent overcapacity or price wars), *free establishment* of firms could be confined (so as to secure balanced growth), *free commercial* activities could be regulated (so as to reduce wide fluctuations in income). Under this perspective, corporatism can be considered as a way of systematically modifying the free operation of the market, by incorporating into the public decision-making apparatus those groups that are affected by the unhampered operation of the market – groups that also to a large extent organize in response to their market conditions.

Practically the whole literature on corporatism focuses on interest intermediation at the national level. The main thesis in this paper is that corporate systems are now rapidly growing at the local level, at least in the Scandinavian countries. Hence we will ask whether the same causal processes are at work here as at the national level, and what the consequences of this development are likely to be. We will also present the preliminary results of data pertaining to this development for Norway.

1. Theories of the Growth of Corporatism: The Effects of Market Conditions

Based on a thorough review of the literature, Schmitter (1974) has given an elaborate definition of corporatism:

Corporatism can be defined as a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports. (1974:93f).

However, drawing on Manóiesco, Schmitter also distinguishes between *societal* corporatism, usually organized from below, with autonomous and penetrative organizations, and *state* corporatism, often organized from above, with dependent and penetrated organizations. In the former case, the characteristics of the formal definition are more fuzzy than in the latter, for example by the noncompetitive aspect not being very strict or by its being the result of voluntary agreements among associations. Examples of societal corporatism are found in Switzerland, the Netherlands, and Scandinavia; examples of state corporatism in Portugal, Spain, Brazil, Peru, Mexico, and Greece:

Societal corporatism is found imbedded in political systems with relatively autonomous, multilayered territorial units; open, competitive electoral processes and party systems; ideologically varied, coalitionally based executive authorities – even with highly ‘layered’ or ‘pillared’ political subcultures. State corporatism tends to be associated with political systems in which the territorial subunits are tightly subordinated to central bureaucratic power; elections are nonexistent or plebiscitary; party systems are dominated or monopolized by a weak single party; executive authorities are ideologically exclusive or more narrowly recruited and are such that political subcultures based on class, ethnicity, language, or regionalism are repressed. Societal corporatism appears to be the concomitant, if not ineluctable, component of the postliberal, advanced capitalist, organized democratic welfare state; state corporatism seems to be a defining element of, if not structural necessity for, the antiliberal, delayed capitalist, authoritarian, neomercantilist state. (Schmitter, 1974:105).

Since our empirical focus is on Norway, it is societal corporatism that will be our concern.

In *Modern Capitalism* Shonfield views the expansion of the state as a way of correcting deficiencies of the market. The modern state finds itself simultaneously trying to accomplish several important goals:

1. to foster full employment;
2. to promote economic growth;

3. to regulate working conditions;
4. to smooth business cycles;
5. to cover individual and social risks;
6. to resolve labor conflicts;
7. to prevent inflation.

Governments attempt to attain these goals through bargaining with and between organized groups about their future behaviour in order to move economic conditions along the desired or agreed path (Shonfield 1965:231).

It is interesting to note that the first six of the items on the list also are goals of public policy at the *local* level. Municipalities try to secure full employment within their boundaries, to some extent by subsidies, or even by running businesses themselves. In Norway there have been many examples of the latter during the recent recession. Many have also adopted growth-promoting policies. This is partly done by investments in infrastructure, like communication facilities, but also by erecting factory halls and plants available for firms that may place production units there. This is also a form of subsidy, which in part is funded by the national government, the so-called 'SIVA-anlegg' (industrial parks). Communes have also improved their educational systems in order to increase the skills of the local labor force. Institutional reforms have furthermore taken the form of establishing new positions, the most important of which is the so-called 'tiltakssjef', which roughly can be translated 'Director of Initiatives'. His chief task is to attract new industry and to advance the working conditions of older establishments. With respect to working conditions, local ordinances have to some extent been adopted to affect them. Many municipalities have also tried to reduce the impact of the recent downturn in business cycles by temporary measures and appropriations or exemptions from standard rules. Some aspects of the social security system are also financed at the local level, with considerable variations between municipalities. For example, the support for the disabled ('uføretrygd') is national, but especially the larger urban communities appropriate additional funds. The same holds for pension programs or medical care. Finally, municipal authorities have on occasions tried to mediate local labor disputes, albeit mostly informally.

Schmitter (1974) and Solvang (1974) have emphasized that growth of corporatist structures, such as public committees with interest group representation, has been characterized by spurts in response to economic crises. No doubt the same tendency has been observed during the recent slump at the community level, in that many more initiatives in the political

arena have been taken, partly from local authorities, partly from business, and partly from trade unions. Often they operate as a team, directing their efforts towards the national government. This can be documented by the response to a question asked of all Members of Parliament in the spring of 1977¹. The question ran: 'Has there during the last few years been any tendency towards more joint initiatives from communities, in which local politicians, administrators, trade union officials, business executives or organizations operate together?' The response to this question is given in Table 1. Clearly the tendency is pronounced in that three quarters of the representatives have taken note of it, and one-quarter state that it is a marked tendency. In a questionnaire mailed to the chief executives of 800 of the largest corporations in Norway (response rate 72%), 11% responded that employee representatives had on one or more occasions participated in contacts directed towards the Parliament. However, the corresponding percentage was 24.4% with respect to contacts with the executive branch or ministries and 29.7% for contacts with municipal authorities. Of those that have had such contacts, 55% say that they have increased over the last five years, while only 1.9% say they have decreased. In sum, therefore, it seems safe to say that there has been *a marked tendency towards more joint initiatives* from firms, employees, and municipal authorities directed towards the national political system, and more efforts by business leaders and worker representatives invested towards the local political system.

Table 1. Responses to a Question about Increases in Joint Initiatives from the Local Level, Asked of Norwegian Members of Parliament, Spring 1977. (N = 155)

A marked tendency towards more joint initiatives	25.2%
A certain tendency	51.0%
No change	22.62
Rather fewer such initiatives	0.6%
No answer	0.6%

The same trend can be observed from the municipal side. In 1977 a questionnaire was mailed to all mayors in Norway, and among the questions they were asked was whether contacts with firms about the establishment of new or preservation of old employment opportunities had become more or less frequent and more or less important over the last few years. The responses are given in Table 2 (missing cases excluded).

Table 2. Responses to a Question Asked of all Mayors in Norway in 1977: 'Have Contacts with Firms about the Establishment of New or Preservation of Old Employment Opportunities Become

1. More frequent during the last five years?	57.0 More frequent 38.8 As before 3.9 Less frequent .3 No contact
	100.0% N = 360
2. More important for the municipality during the last five years?	75.2 More important 22.9 As before 1.5 Less important .3 No contact
	100.0% N = 360

The tendency in the table is quite clear: contacts have on the whole become more frequent, and are definitely judged more important. The same questions were asked of the highest administrative official in the municipalities, and the distribution is pretty much the same. However, on another question there is a marked difference. They were asked whether the initiative for such contacts mostly comes from the municipality or from the firms. The responses to this question are given in Table 3. Here we find the same tendency as has been reported in many studies of corporatism at the national level: that more initiatives from the outside go to administrative officials than to elected representatives. However, here one must also be aware that other factors may enter the explanation of the difference, such as the fact that administrative officials may define their own role as a more passive one than politicians. A final question is of interest in this context. The mayors were asked how they viewed *more organized coop-*

Table 3. Responses to a Question Asked of Mayors and Highest Administrative Official in 1977: 'Does the Initiative for Contacts with Firms Mostly Come from the Municipality or from the Firm?'

Mayors	Highest official
27.6 Municipality mostly	16.8
20.9 Firms mostly	39.4
51.5 Evenly divided	43.8
100.0% N = 360	100.0% N = 383

eration between the municipality and the organizations in the local economic and work life, such as trade unions, agricultural and fishery organizations, industry and trade associations, and the like. The responses to this question are given in Table 4. Clearly mayors on the whole are in favor of more organized contacts of a corporatist nature. In sum, therefore, the *contacts with individual firms have increased in frequency and importance*, and the need for more structured contacts with local interest organizations is generally deemed to be more timely.

Table 4. Responses to a Question Asked of All Mayors in 1977: 'How Do You View More Organized Cooperation between the Municipality and Organizations in the Local Economic and Work Life (Trade Unions, Agricultural, and Fishery Organizations, Industry and Trade Associations, and the Like)?'

Of very great importance for the municipality	24.6
Of fairly great importance	34.0
Of some importance	29.7
Of little importance	4.2
Hard to say	7.4
N = 360	100.1%

Another way of stating this is to say that there are more reactions in the political arena to turbulence created by the market. There are several reasons for this (compare Hernes 1976). The operation of the market is based on the principles of self-interest and competition. But if competition hurts the interests of a firm, it need not restrict its activities to market-oriented action. Firms are political actors, whose returns, conditions of expansion, and possibilities for survival to a great extent are decided within the political system. Self-interest does not end at the boundaries of the market. Particularly when a firm is threatened by loss or bankruptcy, its executives are likely to look for political solutions to its economic problems. This is strengthened since what could be called the 'political self-confidence' of trade and industry has increased. Secondly, several forms of public supports for entrepreneurial and industrial activity have been established, ranging from special state banks to funds for retooling or financial support for relocation. Thus, not only is there a demand for public supports, there is also a supply. Thirdly, workers have more at stake. A large fraction of the labor force has invested income, time, and efforts in homes, cottages, boats, etc. – that is capital goods or durables that are mortgaged and thus require a stable flow of income. When these

investments are threatened by adverse market conditions, the reaction is political. Not surprisingly, the closest cooperation between labor and capital is found in firms that are in difficulties. Fourthly, many municipalities and local governments are dependent on regular tax revenues to be able to meet their increasing commitments to education, care for the aged, welfare measures, development of infrastructure, etc. When the sources of revenue are put in jeopardy, municipal authorities are likely to turn to the state for assistance to the firms that provide its tax basis. In short, there is more that the national state is willing to do, and in crises there are more firms in trouble, workers with personal investments and municipalities with greater commitments to be protected: 'They all have more at stake, and in difficulties it is therefore natural that they stick together' (Hernes, 1976:22).

2. Expansion of Public Authority and Institutional Innovations

The development described above to a large extent has the character of ad hoc reactions to market conditions producing temporary coalitions for political action. Nevertheless, the aggregate of such actions is increasing and increasingly is becoming a regular part of everyday political life; and it should be considered a definite corporatist trend emanating from local communities.

However, the development of local corporatism is a reaction not only to variable economic conditions but also to political changes. Over the last 10–15 years a wide array of new legislation has been passed, which more strictly regulates the conditions under which businesses may be run. Politics affects profits, hence business leaders and industrial organizations have to follow more closely and try to influence the laws that are enacted, and, when adopted, try to have an effect on how the new legislation is implemented. It is a characteristic of much of this legislation that it leaves much discretionary power to administrative agencies in the public sector. Since this implies that policy decisions are not entirely programmed by the legislation itself, it becomes relatively more important to keep a sharp eye on their contents, and to do so on a more or less continuous basis. We will use two quotes to illustrate this development, the first pertaining to corporatist development at the national level. The Managing Director of the Norwegian Mercantile Association in 1974 argued:

Our firms are no longer primarily interested in their particular product group, but concentrate more on the common objectives of the industry. This is a result of recent developments and a

question which recently came up: What is the government's intentions? It is important that trade associations have proposals regarding policy decisions in the business area. If the government wants more to regulate trade, it will first have to learn what it is all about, which we can teach. In this I am not differentiating between conservative and socialist governments . . . (Interview in *NHST*, December 1974).

The year before, the Assistant Manager of the Norwegian Industrial Association was arguing for strengthening local member organizations, primarily because industry would increasingly be affected by the government's new planning system:

As regards public planning, industry has realized that such activity is of vital importance for the conditions required by the firm to operate at the community, country or regional level. This may be questions of land use, expansion of parts of the educational system, and a number of public activities essential to the environment in which firms and people have to operate. Industry realizes more and more that its interests has to be incorporated and heeded in the public planning process. Those who do not make their demands and points of view felt, won't be heard.

During the sixties the government has attempted to develop legislation for an administrative organization which can carry out major physical and economic planning. I won't describe this in detail, but mention briefly the new building legislation, which outlines the directions for regional and local planning. The bill was proposed by the government in the fall of 1964 and passed by the parliament the following spring. The legislation is the basis for physical planning and zoning, where regional plans and municipal plans are essential aspects. § 20 of the law states: 'The municipality shall as early as possible seek cooperation with public authorities, organizations etc. which have an interest in the planning.' If industry is to assert itself in this planning, it needs organs or organizations which can coordinate the interests of the industry, formulate them, and present them to the government.

The Industrial Association will give high priority to developing industrial organizations which can serve as opposite numbers to the governmental planning agencies. The Industrial Association should coordinate industry's efforts on a national level, and certain means should be given to local and regional organs. But we have to realize that the Association is not able to carry out the day-to-day work at every point in the country. It is probably useful for industry first to organize at the district level, and that modes of work are developed which ensure coordination and articulation of industry's interests. The next step is to ensure that contacts with the district authorities are established which enable us to promote the interests as well as possible (*Norges Industri*, 1973, No. 21:15).

In short, there is an increasingly felt need to manage the uncertainty created by the expansion of the public sector and discretionary power at the local level. The regulated want to regulate the regulators. That this is perceived not only at the national level, the following quote from the Chairman of the Industrial Association in the county of Vestfold can illustrate:

I believe I have noticed a new understanding of the fact that industry has to work closely with the local authorities. We may say that until now we have been too concerned with the internal workings of the firm. When it comes to solving 'external' problems, such as land use, communications, housing, etc., we have been ill prepared to handle them. I believe that the

involvement by many of the industrial leaders in the district in these areas will affect the working conditions of the firms. By gaining insight, knowledge and personal contacts with a broader social and political milieu, we will in the future be able to solve the problems of firms in simpler and better ways. By investing time on these problems today, we will secure the interests of industry in the general plans that set the framework for industrial development in the years ahead. Put another way, one can say it is preventive work for industry that is being done by today actively participating in the planning process at the district level (*Norges Industri*, 1974, No 21:6–8).

The Industrial Association in Vestfold district introduced an institutional innovation: it took the initiative for establishing a public position as an ‘Industrial Consultant’ at the district level, and it was to have an ‘Industrial Advisory Board’ with representatives from the district Industry Association, the district Trade Union Council, and district authorities. This clearly has a corporatist structure, and it was established in 1973.

In short, the sequence of development seems to have been first the establishment of more authority and discretionary power for planning and development at the district and municipal level. Second, industrial organizations have reacted to the expansion of local public authority by internal organizational development to strengthen its capacity for exerting influence, and attempts to establish public positions and advisory boards with industrial representation so that its views are taken into account (compare Berrefjord and Hernes 1974). Hence not only fluctuating or changing market conditions are behind the growth in local corporatism. Another important impetus comes from the expansion of local public authority and discretionary power.

The local initiative was followed up at the national level. The Norwegian Industrial Association set up a special committee to suggest a general system for industrial consultants. Its point of departure was the system existing in the agricultural sector, which for a long time has had an arrangement with public agronomists serving as consultants, at both the district and municipal level. This arrangement to no small extent came to serve as a model for the proposals put forward by the special committee of the Industrial Association. Hence it is not unreasonable to speak of *cross-sectoral political learning* in this context (cf. Berrefjord and Hernes 1974). That is, institutional development can be considered as a learning process.

The proposals of the special committee were relayed by the Industrial Association to the government, which in 1977 hired industrial consultants in four districts, as an experiment. In addition, four other districts hired industrial consultants on their own; so that with the original one in the Vestfold district, there are now altogether nine in function – that is, in

almost half of the 19 districts into which the country is divided. In five of the districts where the new positions have been set up, there has also been established 'Industrial Councils' serving in an advisory capacity for the Industrial Consultant, with representation from the Industry Association and the trade unions in the district. These are clearly corporatist creations, in that interest aggregation and articulation takes place within sectoral public bodies. No doubt this is a system that is likely to grow in the next few years. Examples of other such corporatist organs at the district level could also be given in both agricultural and industrial areas.

Indeed, the system with industrial consultants is now being expanded to encompass municipalities as well as districts. In 1977 funds were appropriated by the Parliament for the establishment of industrial consultants in three municipalities in each of five districts. Their main function is to provide information and guidance, particularly for smaller firms, and especially about legislation, regulations, and funds that may be available for them through public banks and financial institutions. Also for these lower level industrial consultants advisory boards have been established, with representation from both trade unions and the Industrial Association in the district. On this board the District Industrial Consultant is also to be a member, to facilitate district-wide coordination.

Corporatist structures, in the form of public agencies or boards with political representation from economic sectors, have for some time existed for agriculture and fisheries. Some have also been found in the industrial sector (like the municipal 'tiltaksnemnd'), which is now rapidly expanding.

The driving forces behind this expansion have partly been changing market conditions, partly expansion of local authority and discretionary power – particularly over planning – and partly cross-sectoral learning. It seems fair to say that local reactions to *changing market conditions* have taken the form, to a large extent of ad hoc activities and coalition formation; whereas the reaction to the *expanding public authority* at the local level has been one of institutional innovation. The particularistic reactions to market conditions are probably due to the fact that their impact is particularistic, affecting firms differentially. In contrast, new laws and regulations represent permanently altered conditions and regular decision-making which requires continuous attention if specific interests are routinely to be taken into account. Hence they call for changes in institutional arrangements and interest representation on a stable basis. It should be pointed out, however, that the extent to which firms or their employees act directly towards the political system or pass their initiatives through

interest organizations should be considered a variable, or rather two variables, since direct and indirect action may be combined in different proportions.

3. Consequences of the Development of Local Corporatism

Several consequences flow from the development of local corporatism. First, one is struck by the fact that the business community, by making demands for industrial consultants, representative boards and the like, is in effect *arguing in favor of expansion of state power* as contrasted with the market. However, it must be added that it is a state power it hopes to use to further its sectoral interests, if possible by cooperating with the trade union movement – and to a large extent that is possible.

Second, political decisions in the economic area at the local level have become *more visible*. But different sectoral agencies may sometimes act at cross-purposes. Hence we expect that there is a built-in tendency towards expanding boards with sectoral representation, or towards creating new bodies on which several sectors can be represented and through bargaining resolve differences. In other words, it may lead to increased demands for corporatist participation in local administration (Berrefjord and Hernes 1974), so that corporatism to some extent feeds on itself. However, some may argue that by removing many important economic decisions from democratically elected bodies, decisions are likely to become more technocratic and de-politicized, leading to greater voter apathy. It remains to be seen which of these two trends is likely to be stronger. Third, the fact that specialists on industrial policy, such as the industrial consultants and their advisory boards, become situated at the local level, implies *a potential source of conflict with the central administrative apparatus of the state*. They may represent counter-expertise to public officials and policy-makers in the industrial sector at the national level, which may well challenge the wisdom of their decisions.

It is customary to distinguish between territorial representation through the electoral channel and functional representation through public committees encompassing spokesmen for organized interest groups at the national level. The new system of industrial consultants and their advisory boards at the district level provide a merger or *fusion of territorial and functional representation*. Local economic interests are given a better political foundation through new public programs, positions and agencies at the district and municipal level.

This may, fourthly, result in greater pressure for the use of *more*

selective economic incentives. The new experts on local economic conditions will have few difficulties in mobilizing political arguments for the provision of special supports, subsidies, differential taxes or recompensation for general taxes for particular industries in their districts, in order to maintain employment or aid depressed areas. Such measures, whereby the national government intervenes selectively and discriminately to assist or foster certain regions or industries, have been called 'neo-mercantilist'. And the development of local corporatist structures no doubt will be an impetus towards more neo-mercantilist measures, particularly since the assistance given to one district provides an incentive for countervailing relief in others. In one word, we may expect a happy marriage between local corporatism and neo-mercantilism.

Hence we may, fifthly, expect the *central administrative apparatus* to have to take on the role, to an increasing extent, of *defenders of the market*. As Berrefjord has stated (1978:153), we may come to observe what at first may look like an ideological paradox: the bureaucrats in the ministries become the advocates for the economic efficiency and impersonal operation of competition and the price mechanism. No doubt this may also add to the potential for conflict between local and national level of policy making.

Finally, we are likely to find increasing competition between local communities vying for the location of plants from the same firms. They are caught in the Prisoner's Dilemma. All municipalities are forced to invest in industrial parks, which leads to an overcapacity and little comparative advantage. Put sharply: All invest more, but their relative position remains roughly the same. This phenomenon could be called '*market inversion*', since it is political units which contend and economic organizations which can choose. In the questionnaire sent to all mayors in Norway, they were asked: 'How strong is the competition with other municipalities about firms (factories, plants, hotels, etc.) for locating their establishment in your community?' The responses are given in Table 5 (missing cases excluded).

Table 5. Responses to a Question about Competition with Other Municipalities for the Location of Firms, Asked of Norwegian Mayors in 1977

Severe competition	27.8%
Fairly severe	31.9%
Fairly little	26.9%
Insignificant	13.5%
100.0% N = 360	

As can be seen from the table, almost sixty per cent of the mayors experience this competition, and more than a quarter find it severe. No doubt the amount of competition has increased, as is expressed in the above-mentioned establishment of factory halls, development of infrastructure, etc. Needless to say, further analysis of these data, identifying the characteristics of those communities that face the greatest competition, is in order – and is in progress. As such direct and indirect subventions have to be funded in large part by local taxpayers, a paradoxical result may be to put already established firms in a less favorable position. That is, the older cohorts of companies may have to support infant industry. So while local corporatist structures encourage neo-mercantilist policies from the national government against which its officials have to defend the operation of the market and of free competition, local communities have to compete in a political market and woo firms with special favors to make themselves economically attractive.

4. Conclusion

In this article we have argued that most of the literature on corporatism focuses on the national level, whereas we now can observe in several countries a trend towards the development of corporatist structures at the local level. This has come about partly as a result of changing market conditions, often expressed politically in ad hoc coalitions of business executives, trade unionists, and local officials. But in part it is also due to new legislation aimed at regulating economic activity and putting more discretionary power at the local, i.e. district and municipal level. This has provided an incentive for institutional innovations to affect the use of the new authority. The response has on the one hand been an offensive to strengthen the local branches of industry associations, so that they can more effectively cope with the new challenges and opportunities, and on the other the establishment of new public positions, such as industrial consultants, and advisory boards with functional representation. This has several important actual and potential consequences, ranging from growth of neo-mercantilist policies to increased community competition for industrial establishments. Further analysis is needed, not only to map differences between countries, but also to be able to identify the processes that cause variations in local adaptations.

NOTES

1. The questionnaires referred to in this paper are among those administered in connection with the Study of the Distribution of Power in Norway. This study is commissioned by the Prime Minister's Office, and funded by appropriations directly from the Norwegian Parliament. It is directed by Gudmund Hernes. The data presented below on mayors and highest municipal official have been collected under the auspices of this study by Torodd Strand, and we are grateful to him for letting us use them.

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