

Political and Economic Policy Planning on a National Level – Exorcism and Laws of Gravity

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The Scandinavian Model – Diminished Progression and Increased Friction

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It did not turn out that way, however. Like the other Western nations, Scandinavia was also affected by the results of the oil price jump in 1973. The stable growth pattern was replaced by decreasing and more unstable growth, and problems of policy planning arose.

The status at the end of the 1980s for the Scandinavian societies is that they are facing considerable economic and political challenges. How will these countries tackle lower economic progression and increased political friction?

Policy Planning – in the Tension between Intentions and Institutional Conduct

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political actions have if concrete action is decided upon? Where will these actions lead, if they have any real meaning at all?

From political science literature we are acquainted with two types of explanations often placed in contrast with each other. One explanation centers around the actors' free will, where their goals and intentions are used to explain what actually takes place. The other emphasizes the restrictions and rules the actors are subject to, where explanations for actions arise more from analyzing the wider context. Voluntarism is set against determinism; resolutions are compared to non-resolutions; models of rational behavior are confronted with facts that suggest another kind of behavior; and advice based on market-efficiency ideals are blunted against the effects of imperfect markets. In brief: Intentions are played out against the laws of gravity. Sometimes, intentions win, at other times they are forced down and reduced to empty notions.

This dichotomy is therefore much more than an analytic trick. It reflects the tension, and thereby the driving forces we find within social and political processes. These are not just performers playing with and against each other with each his own will, but also wills played against social mechanisms and what we can call institutional 'forces of gravity'.

We can, when addressing the Scandinavian countries' further development, take as our point of departure the common political goals of economic growth and even distribution of goods. But what this goal butts against are just those institutional forces of gravity which seem to have grown in these mixed economies.

A presentation follows of a possible plan of attack in investigating this area of tension. We will base ourselves on a 'blueprint' used in the 'Scenario 2000' project, where one aimed at illuminating possible paths of development for Norwegian society towards the turn of the century (Hompland (ed.), 1987).

A Close Look at the Political Mechanism

Analytical approaches must be based on the problem or object they are meant to investigate. In our case, we will focus primarily on the political mechanism. There is a clear consensus in Norwegian society (as in the other Scandinavian countries) that Parliament, the Government and the central Administration govern. Balanced economic growth, equality, security, justice and moral dignity are goals regarded as points of national unity.

The methods used to achieve growth aim at organizing the factors of production in order to attain a more effective application of resources – the 'complementary market' state. Public contribution to the fulfilment of

the national goals and the notion of equality are realized first through measures whereby those in production transfer resources to those not in production – ‘the social and health state’; and secondly, by supplying those who earn little through those who earn a lot – ‘the corrective market’ state.

Of course, one doesn’t imply that state authorities should have a finger in every pie. They are supposed to chart the main course and assure that production and distribution processes achieve satisfactory results. They are to be partly considered as independently active and operative bodies, partly as the oil, or catalyst, that makes the social machinery function. If performance fails according to these standards, then the performance of the social machinery is also weakened. Predicting and planning are thus made more difficult, frustration arising from these weakened results increases, and faith in institutions and the political system they represent can decay.

In other words, we have above made a number of presuppositions that can be summarized in the thought that we are dealing with a political mechanism. In political science literature we find references to the ‘Norwegian Model’ (Østerud 1985), ‘The Social Democratic State’ (Lafferty 1986) and ‘the Scandinavian Model’ (Olsen 1986). This mechanism is characterized by the ambitions it aims to satisfy, as well as by the way it is organized. For example, Olsen, referring to Shonfield’s (1965) analysis of modern capitalism, writes that:

as a result of similar reasoning, the Nordic countries are often taken as examples of a successful combination of economic growth, high living standard, equality and social security, a large public sector, public-private cooperation, political stability and peaceful co-existence.

This mechanism cannot, however, be observed as if it is operating in a vacuum. Having first said that we are interested in how it works, and in the conditions in which its position is strengthened or weakened, we must also look at other arenas of the social machinery. It is highly unlikely that everything of important relevance to understanding this mechanism will be found within the formal political sphere.

This is especially well illustrated when we address the question of Norwegian society’s future development. It is then natural to ask how the formal democracy and the central administration ‘survive’ as compared to other governing systems or groups; first and foremost those related to the market and interest groups (Hernes 1978; Berrefjord 1984). We will also have to take a closer look at the ties between production on the one hand, and cultural traits and how living conditions are distributed on the other. Furthermore, we are confronted with international influences, either in specific markets or in the form of more general impulses and attitudes.

Adaptation, Development and Alteration

Obviously, here we cannot base ourselves on a simple analysis of cause and effect. This points rather towards a more complex perspective, of mutual interaction where factors, that in one phase influence the shaping of public policy, are in turn influenced by that same policy. A functional approach must be central, i.e. effects which turn out to be satisfactory for leading and influential groups in a society tend to maintain the structures from which they arise; while negative results and unwanted consequences lead to pressure for revision and change, for example by looking for new ways of solving problems (Stinchcombe 1968).

It is reasonable with this in mind to distinguish between (a) conjunctural adjustments, and (b) structural changes. We are well acquainted with the former from Keynesian policy prescriptions where the state's role is to level out market fluctuations through an active demand policy.

Our experiences from the last half of the 1970s and later, however, pointed increasingly towards the need to reorganize the political mechanism. This has partly been as a response to structural changes in the market economy or within different organizations partly to enable the political mechanism to induce such changes in these other spheres. In other words, the political mechanism is exposed to forces of change at the same time as it itself is a force . . . it is both a reactor and an agent of change.

We have now arrived at the reason for constructing an analytical framework. Its function is to help us investigate two competing theses as to the political mechanism's capability to adapt and its future course of development.

The first thesis maintains that the political mechanism, which in practice refers to those who govern politically, manages to live up to the expectation of being the leading actor in a social development. It renews itself and its surroundings at the same rate as the challenges presented by technical and economic development in the outside world, and in ways which result in continued economic growth and the expansion of the social welfare state.

The antithesis is, briefly, that 'things aren't going so well'. Here we envision a possible development where the political mechanism more or less comes to a standstill as compared to the political ambitions and aims of the Scandinavian countries. We have chosen this antithesis (named 'The Decay scenario') to illustrate our 'plan of attack'.

The idea that 'the Scandinavian Model' more or less grinds to a halt is far from being original. To quote Olsen (1986):

After 40 years of an internationally successful development of a welfare state, the question arises as to whether the Scandinavian model has lost its dynamism, and if a continued development of the welfare state is the best way for the welfare society to develop.

The above quotation leads to the question of reorganizing the political

mechanism, and to a discussion as to which institutional changes must be implemented in order to retain dynamism. A key argument for ‘The *Decay* scenario’ – is that the capability to find and carry out such measures is weak. Attempts at reorganizing don’t succeed, or else produce results different from those intended.

What we have to do, therefore, is to find a theoretical construction to develop the argumentation behind *Decay*. In other words, we need a tool to trace the important structural features in the mixed economy, and to identify the processes that take place within and as a result of these structural features.

In short, we have searched for a theoretical framework;

- which is oriented towards the political mechanism, primarily towards the Norwegian and Nordic variant bearing on growth, equality and justice,
- which employs a national perspective, where the remaining arenas in the mixed economies relate to the political mechanism,
- which is receptive to the forces of the outside world,
- and which aim at studying adjustment methods, development and adaptation.

Main Points of the Model

To fulfil this need, we constructed the model illustrated in Figure 1. This model can be briefly described through three characteristics:

First, the model operates with six main structural areas:

1. International market conditions.
2. Production in Norway – divided into
 - (a) private enterprise and
 - (b) public sector.
3. Other international conditions.
4. Living conditions, social and cultural patterns.
5. Interest groups – both in relation to production and living conditions.
6. The political mechanism.

Table 1 gives a brief description of these six areas.

Secondly, the model focuses on the processes working within each of these areas, e.g., international market developments, structural changes within the Norwegian economy, adjustments in the public sector, demographic and social changes, changes in the relationships between interest groups or realignments among political parties.

Thirdly, it weighs the relationship between these six areas, based on the general question of how changes in one area result in changing processes within another. Not all of these cross-relationships seem to be equally relevant for our purposes. In our work with scenarios we chose to concentrate on the eleven processes illustrated in Figure 1 with thick arrows, e.g.:

- How developments in foreign markets influence the Norwegian economy
- How decisions in the production sphere affect wages and living conditions
- How interest groups exert pressure on the political mechanism

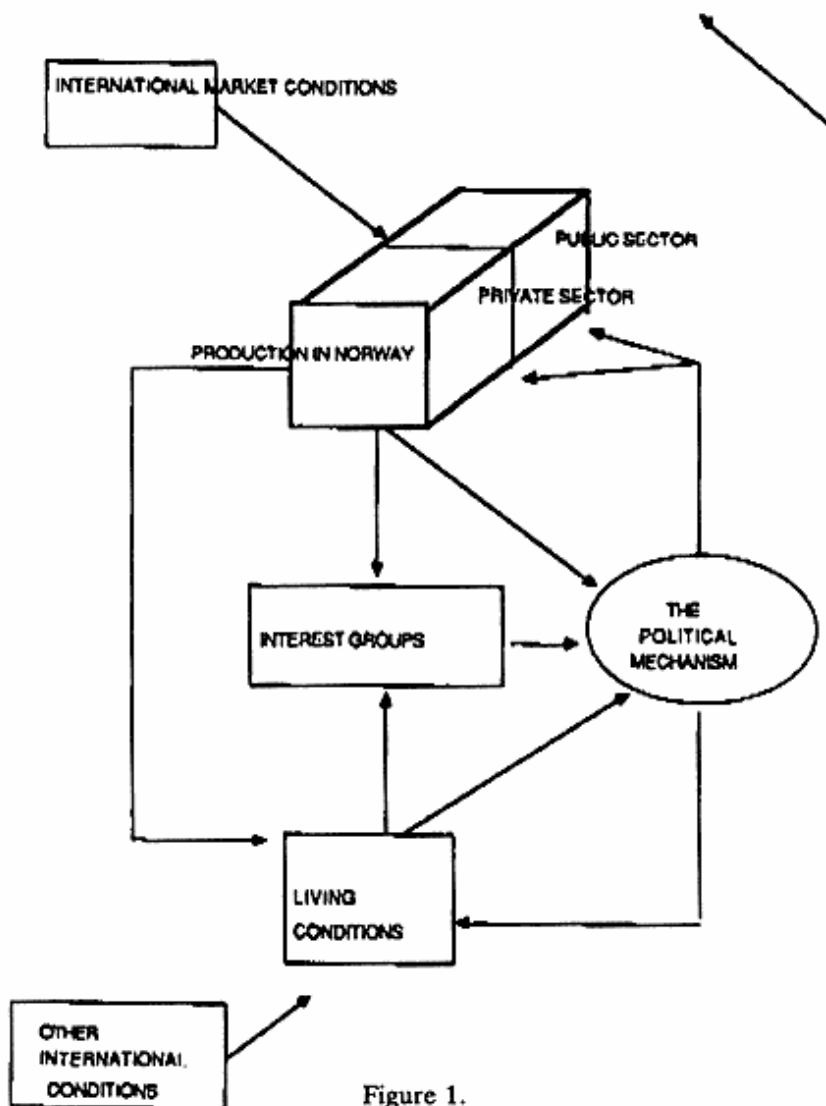


Figure 1.

Our perspective can be seen as a continuation of the national viewpoint used by the *Royal Commission on the Study of Power* in its studies of

Table 1. Areas of Analysis.

Area	Main focus
1. International market conditions	Supply and demand in international markets
2. Production in Norway	(2a) Competence and aims of the private sector Profit-maximization vs. other objectives; structure and market-orientation of enterprises; ownership and concentration (2b) Public sector Organization; administration and policy planning
3. Other international conditions	External cultural and political impulses
4. Living conditions; social and cultural patterns	Age-distribution; family-structure; social networks; notions of fairness; income distribution; regional spread of population
5. Interest groups	Organized groups related to the production process; other interest groups including cultural and citizens ad hoc action groups
6. The political mechanism	The numerical channel and the political parties; the bureaucratic system/public administration; national aims of growth, equality and justice

Norwegian power relations in the 1970s. Our model, or framework of analysis, raises many more theoretical or empirical questions than it is possible to answer completely. This was not the point, however. The purpose was to establish a frame of reference, and a terminology, for evaluating the position of the political mechanism within a greater social picture. With the model as a basis, we asked ourselves what forces or processes lead to a strengthened political mechanism, and which can reduce its position and freedom of action. In other words, what kind of freedom of manoeuvre can we envision for the political mechanism in the coming years, and what negative forces will it meet?

Is the Scandinavian Model in Decay?

These questions generate two rough alternative hypotheses as to future development. The first asserts that the political mechanism, represented by elected officials together with the central bureaucracy, has a good grip on national management. The second, called '*Decay*' which we have presented above, focuses on the possibility that the mechanism almost comes to a standstill under the pressures of weaker progression and greater friction between the different groups in society. What we have then is a mechanism

that strives to function as best it can without achieving any substantial results.

In the following we will look closer at the *Decay* hypothesis not least in light of development during the latter years. Within this 'state of the world' four indicators can help us in charting the future course of developments in Norway:

- *Decision-making problems* – a large, strong and varied stream of demands places a steadily increasing pressure on the decision-making capacity within the political mechanism. Binding decisions take a relatively long time to arrive at. In cases where strong interests stand against each other, there is often no decision arrived at at all.
- *Resource gap* – the production capacity in society doesn't keep up with welfare expectations generally, and, specifically, with actual development in the demand for health and social services.
- *Lack of creativity* – mainly expressed through a feeble ability to find new organizational solutions to the decision-making difficulties and to the resource gap. Creativity and the readiness to try completely new solutions are hampered by existing organizational patterns and ingrown procedures. The organizational and administrative failure that this brings lessens the public sector's effectiveness.
- *Systemic friction* – springs from the duality of a mixed economy, where growth-enhancing competition exists side-by-side with stressing the notion of equality. Here, instead of fulfilling its main aim of uniting, the political mechanism accentuates the differences between the private enterprise system and the transfer system.

There is a built-in connection between these four indicators. Decision-making problems, resource gap, lack of creativity, and systemic friction are tied together as a problem. At times, the knot will loosen, and at other times it will tighten. The reasons why this can happen are to be found to a considerable degree outside the political mechanism, i.e. in the stream of premises aimed at it. From other arenas come strong pressures from both those who want to push their problems onto the public authorities, and those who want to pull resources away from the authorities' area of control.

To sum up, under the *Decay* scenario we will experience that the political mechanism will not be able to live up to many people's expectations. Besides, much of what does get done will have a counter-productive effect, which means that the situation would not have differed much even if measures had not been taken at all.

The Theoretical Basis

What is the theoretical basis behind the thesis that the political mechanism will gradually cease to function? We have chosen to focus on one main theory supported by a number of sub-theories.

The main theory takes as its point of departure the adaptability of an object or a mechanism when it is confronted by demands, expectations and impulses of change from the wider environment. The political system, here defined as synonymous to the political mechanism, does not manage to interpret, react to and deliver a service in a satisfactory way.

The reason for this is twofold. The first is related to structural imperatives of the outside world, which simply come to represent too much of a burden for the political mechanism. But secondly we will also find the explanation for non-performance in the process of the adjustment, i.e. within the political mechanism itself.

The main theory is based on seven sub-theories, each of which is firmly founded in an established theoretical tradition.

The theory of markets, which in our version stresses the consequences of an uneven distribution of financial strength and market power. Market theory is of particular importance when we analyze how international market conditions and technological change will affect the conditions of the Norwegian labor market and regional policies.

Demographic theory is one of the keys to understanding the years ahead. An analysis of the rate of decline, growth and the age-distribution of the Norwegian population, would give important variables for analysing Norway towards the year 2000. This is notwithstanding the uncertainties represented by projections for net immigration.

Organizational theory, which from our perspective highlights how existing organizational patterns and heavy administrative forces, both within and outside the political system, reduce the flexibility of a society. This theory can further lead to a theory of incremental change, which stresses that change, to the extent that it takes place at all, will happen in small steps. The development is locked to various actors' established interests, for instance in the case of firms which have difficulties in transferring resources out of existing business areas.

The theory of professional groups stresses the power which lies behind interest groups. An increased specialization within both production and labor markets leads over time towards an increasing number of easily definable group interests, which also in turn are easy to organize. Such an approach will also highlight what can be called 'positionism'; i.e. great stress is put on how much others get when one decides how much one's own group deserves. The collective will to act, symbolized by the ability of a political system to arrive at majority solutions that can be implemented

even in moments of stress, is of course influenced by such a development.

The theory of electoral behavior stresses the interest of politicians to get re-elected. A number of countries are presently discussing the length of the electoral period, based on the belief that short periods reduce the ability of politicians to take more long-term but unpopular decisions. The intense competition for the favors of the electorate can therefore lead to a concentration around more short-term solutions. This can in turn lead to frustration among the electorate and a loss of interest in the actions of politicians.

The political recruitment theory is based on the notion that it will be decreasingly attractive to operate within the political mechanism. Both the public administration and the political parties will be affected by a loss of competitiveness for skilled manpower. New recruitment as well as keeping persons who already operate within these organizations becomes more difficult. This can in part be linked to the general level of wages and work conditions for such groups. But the frustration of the electorate referred to above and the loss of prestige this entails, also play a role. Another negative factor is the fact that politicians to an increasing extent lose the ability to set their own agenda. Candidates who are drawn to politics in order to achieve certain aims will often experience that they never come to deal with their 'own issues'. Instead they have to spend their time trying to sort out the issues defined by others. The turnover rate for politicians is perhaps an expression of the frustrations that this group experiences.

The last sub-theory we want to focus on is that of *cognitive maps*. Here we highlight the influence that traditional thinking has in defining what part of reality is worth stressing, which version of an issue is viewed as 'natural', as well as which policy instruments are considered effective. In short, we are concerned about the processes by which existing cognitive patterns are reinforced, how attitudes and ideas are frozen and at times tend to neutralize each other. These kinds of challenge are especially serious in periods when underlying forces demand creativity and new approaches to existing problems.

When focusing on the seven theoretical traditions we have chosen to stress the 'troublesome' versions from these. In other words, we have chosen to formulate and work with the versions that support the Decay hypothesis.

Had our main aim been to argue in favor of a general statement that 'things would go well', then these theoretical sources could also be of some help. Most of them have a dual character, they show the face of Janus. For example, the market mechanism gives rise to efficient gains as well as to uneven power relationships. Or existing organizational patterns can be viewed as providing flexibility as well as being a hindrance to new thinking and solutions.

Policy-planning: Success or Exorcism?

This theoretical duality points back to our initial focus on the relationship between the 'forces of gravity' and the aim of policy planning. The more successful the political system's ability to control the real world, the stronger is the belief that the politicians will manage to live with the laws of gravity implied in the seven sub-theories above.

If on the contrary it transpires that the political mechanism loses terrain and gets into difficulties, then the messages, promises and solutions put forward by politicians more and more will take on the form of symbolism and exorcism. The less your success, the more you need to 'jump, dance and beat your chest' in order to highlight the few things you do manage to achieve in an eternal fight against the institutional laws of gravity.

Our framework of analysis and our two theses point to a number of areas in the social sciences where more insight needs to be developed. We will conclude by pointing to three perspectives which we view as crucial.

(i) Understanding *structures and actors*: It is important to increase our understanding of the structural features of a society and in particular how the different actors are organized (see for instance Coleman 1982); which positions they hold, how they interact, and finally how conflicts are solved or common solutions arrived at.

(ii) Understanding *decision-making and functional divisions*; in particular with respect to the workings of the mixed economy, how the different systems of governance interact with each other (Hernes 1978); how different decisions come to be distributed between different actors in society (Berrefjord 1984, NOU 1981, 22) and how these organizational patterns in practice both give rise to successes as well as to dysfunctional solutions and situations characterized by lack of power (Hernes 1975).

(iii) The *perspective of social change* where light is shed on how structural and functional features of a society come about, how they develop and how they change. Within this perspective, which is the one that interests us the most, we must bear in mind how different actors are confronted by real world situations. These can be of either a material or of a more cultural kind. (The conditions can have economic and/or political implications.) How these then will lead to action and new adaptations will be a result of organizational and ideological factors related to the distribution of power between the different actors.

For this reason the three perspectives we have drawn up will be complementary. One isolated approach in analyzing these problems will not suffice.

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