

The Scandinavian Welfare State: The Institutions of Growth, Governance, and Reform. Review Article

Jørgen Grønnegård Christensen*

In a review of five recent works on Scandinavian politics and public policy, it is shown that the basis for talking about a Scandinavian model is unfounded. Politics and policies diverge from country to country and within each country from sector to sector as a result of institutional variation. This variation is embedded in institutional history which accounts for strong national path dependency in public policies. However, the institutional set-up at a given point in time also provides political actors with incentives for change. Two of the works reviewed take up this lead as they argue for institutional reform, in one case to protect the welfare state against political erosion, in the other case to facilitate renewed economic growth and improved living standards. The review concludes by arguing for the positive prospects for systematic comparative analysis of Scandinavian politics, providing a mixture of institutional and political similarities combined with theoretically relevant variation.

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The Scandinavian countries stand out as the archetypical welfare states. A universal welfare state, developed during the second half of this century, provides its citizens with ample benefits in the form of social transfers

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(pensions, sickness allowances, tax-financed maternity leave and child allowances, social assistance, unemployment benefits, scholarships to high school kids and students) and in the form of services in kind (hospital and health care, child care and schools, university teaching and elder care, but also libraries, theaters, museums, etc.).

The Scandinavian welfare state not only distinguishes itself by the universality of its regime. It is also characterized by its high and over time increasing levels of compensation, in particular for welfare services where for all purposes access is universal, but also for social transfers where all citizens receive old age pensions without any means testing, and where unemployed persons are entitled to benefits, regardless of their family income. No doubt this welfare state is highly redistributive.

One corollary is a huge public sector in economic as well as organizational terms. As welfare state services are mainly provided by public sector institutions, the Scandinavian welfare state has a sizable task of governance and management. Further, these governance and management problems turn up at the macro-institutional level, such as institutional relations between government and parliament, bureaucracy and organized interests, and in intergovernmental relations. However, they also exist at the micro-institutional level where institutionally defined incentives operate at the individual level, providing politicians and bureaucrats, managers and staff, welfare and service recipients as well as tax payers with incentives for action and inaction.

This Scandinavian welfare state raises several analytic issues of which only few are well described, not to say well analyzed and understood. However, a recent literature does exist. It may not offer systematic and comprehensive answers to these issues, but it draws attention to new questions and provides tentative answers and interpretations that are worth pursuing in future research.

One issue of general importance is why the Scandinavian countries developed their welfare state regimes in the present form and size. And why did other countries with very similar economic and social contexts not move in the same direction? *Sven Steinmo's* comparative study of the financing of the modern state in Sweden, Britain, and the United States offers an interesting and thought provoking answer to these questions.

The parallel expansion of the public sector and the shared emphasis on tax financing raise the obvious question of whether the Scandinavian welfare states make up *one Scandinavian model*, which is a widespread notion both in the Scandinavian countries and in the international research community. Thus people often reason that with a knowledge of Danish or Norwegian, but especially Swedish politics and society, they are able to draw inferences as to politics and policies in other Nordic countries. This generalization is questionable, not only in terms of the policies and their content but also their

economic and social implications. The doubt as to the validity of the notion of *the Scandinavian model* becomes even more nagging when the focus is moved to the institutions of governance and management. *Anders Lindbom* ventures into this unexplored field with his comparative study of the Scandinavian school systems. He demonstrates that the countries differ from each other, but even so the question remains: What are the implications? Couldn't there be forces in operation at the micro-level that actually level out some of the differences found at a higher institutional level? If this is so, it does not imply that the notion of a common Scandinavian model is rescued. Rather the corollary is that in some respects the Scandinavian welfare state regimes should just be seen as cases of a more general phenomenon. *Vibeke Erichsen* and her co-authors deal with this issue in their study of professionalism and professional behavior in the Norwegian health sector.

In spite of its growth, size, universality, and popularity with the electorate and the political elite, the welfare state in its present size and form has increasingly become a topic of political and academic dispute. Two strands of opinion stand out. One, the more conventional, defends the welfare state as a normative regime. It is seen as a political and moral endeavor to construct a more egalitarian and, by implication, more just society. Thus the historical success of the welfare state has given the Scandinavian countries a legacy to be protected and further developed, as claimed by *Bo Rothstein*. According to other observers, this may be right or wrong, but it is still not the right issue to debate. The welfare state in its present form has become a problem not only because of its policies and their economic implications. Rather, the reason for worrying about them is caused by the incentives created by the welfare state policies and their behavioral effects. But even here the issue has to be conceived in much broader terms than is usually seen when the welfare state is debated. This is the argument of *Ekonomikommisionen*, a Swedish hybrid of an academic think tank and an official task force. The commission has promoted its own prescription for large-scale institutional reform, involving the constitution as well as the micro-level institutions of governance and management.

In this review essay I will address the issues raised above. I will start at the historical-comparative level, move on to the micro-level of institutional governance and management, and return to the general level, this time to discuss the unique Swedish combination of empirical analysis and normative prescriptions for institutional reform. In a concluding section I will briefly take stock of what we know, and particularly of the need for and promises of more systematic comparative analysis of the Scandinavian welfare regimes to replace the continuous, but poorly founded propagation of *the Scandinavian model*.

The Fiscal Basis of the Welfare State

Steinmo's is the tale of three Western, industrialized democracies that at the turn of the century start out at approximately the same point in their tax policies. A general income tax is introduced to replace old tax forms, but the tax burden is still light, and progression mild. However, over a few years during World War I, all three countries reform their tax laws, introducing higher marginal taxes and generally increasing the tax burden. Later on between the wars, after World War II, and even during the reform wave that swept many Western countries in the 1980s, all three countries reformed their tax systems within a few years.

The similarities soon stopped. At an early stage in this historical development, the tax policies of the three countries diverged from each other in radical ways. The result is, to some extent, well known to us all, i.e. a vague notion of the high taxes in Social Democratic and collectivist Sweden compared to the low taxes in capitalist and individualistic US. This impression is not wrong, but nor is it, as Steinmo shows in his comparative study of the tax policies of Britain, Sweden, and the US, an overly precise description of their policies. Their tax structures have developed in very different directions, and paradoxically it is shown how marginal tax rates have consistently been higher in capitalist America than in the Social Democratic welfare state of Sweden. Britain places in between. Still, the difference between Sweden and the two other countries is the efficiency of the tax system, both in terms of raising money for the government and income redistribution, and furthermore, Sweden's tax system shows much more coherence and long-term stability. In this respect Britain has, up through the century, experienced a development with abrupt changes in its tax laws as Conservatives and Labour competed for power and successively won it at landslide elections where a new majority swept out the incumbents.

This confronts us with a puzzle, claims Steinmo. Three Western democracies start out at approximately the same point, but they soon go different ways, which means that we are not presented with three cases of sheer path dependency, and moreover, the tax policies develop in somewhat paradoxical ways that do not conform to the conventional images of these three countries. So we do not get far by referring to the differences that ensue from Social Democratic egalitarianism vs. market-economic preoccupation with individual responsibility and entrepreneurship. To account for the different tracks followed in the three countries we have to look elsewhere. But if ideology and values are too vague and loose to account for differences in real world policies, explanations that focus on preconceived interests hardly bring us further when it comes to grasping why the policies have moved in such different directions. The statist explanation which sees relatively autonomous state actors as the decisive factor is rejected because, as is the

case with the pure interest explanation, there is no account of why the preferences of these state actors should vary.

Steinmo's alternative is historical institutionalism. His ambition, which he largely fulfills, is to develop a hitherto loosely conceived approach into a more rigorous and coherent analytic instrument. In this perspective, historical institutionalism deals with "the institutionalization of bias" over time. It is process driven by individual and collective actors who, in their selection of strategies, are assumed to be rational. But as their "preferences are derived within particular contexts," institutions come to play a decisive role. Institutions are not seen primarily as constraints on action. Rather they are presented as historically created systems of incentives that prompt certain actions and discourage others. In this way political institutions (electoral systems, parliamentary organization and rules, committees, bureaucracy, and corporatist structures) become the focal points of political analysis, including the analysis of long-term developments in public policies.

Steinmo rightly criticizes institutional analysis for only being able to provide static explanations with a deterministic bent: "What often comes out of such analyses is a fairly mechanical explanation that essentially deduces outcomes from institutional constraints." Consequently, Steinmo proposes an approach that captures the dynamic traits of policy making. Hence his emphasis on institutions as incentive systems for actors having to make their decisions rather than systems of constraints narrowing or even removing their operative space.

The theoretical approach laid out by Steinmo is compelling. Its presentation is parsimonious. He moves directly to both his critique of other research and to the alternative advanced by himself. In addition, he has surely put his finger on weak spots in many comparative studies of public policy and simultaneously given theoretical substance to a historical-institutional argument that has not, until now, been unfolded in political science to the same extent as in economics and economic history. However, there are also severe risks involved in presenting a rather bold theoretical argument in a way that leaves central assumptions open and even totally un-discussed. A few examples:

1. Actors are not rational and self-interest motivated in an "economistic" or "substantive" sense. Rather their rationality is "embedded in context" (pp. 7-8). Although the negative implication of this point is clear (it does not make sense just to assume actors' preferences as economists and public choice theorists do), the positive implication is not so clear. Does the contextually, in other places institutionally, shaped preferences just mean that actors have goals which they pursue? Or does it also presume that they can cope with especially economic and strategic uncertainties, and even so if the time perspective of a choice situation is long?

2. Another example concerns the status of actors. They are individual prime ministers, party leaders, and union bosses. But they are also representatives of collective entities like cabinets, courts, and parties. What is the relationship between individual preferences and collective goals, and between some notion of individual rationality and rationality in choices made by these collective actors?

3. For all its simplicity (it's the institutions) the approach is threatened by an overwhelming complexity. In this three country study, covering more than eight decades plus an extraordinarily complex policy field, we soon come to deal with a plurality of individual-cum-collective actors who operate within a vast and dynamic institutional landscape. No wonder Steinmo is not very explicit as to the importance of the economic and social contexts that are also claimed to be important in historical-institutional analysis.

Nevertheless, in the empirical analysis that follows, Steinmo has produced a fine and unusually rich comparative study of the three countries' tax policies. With his pragmatic but tight analytic design he manages to keep many balls in play. He also demonstrates the potential power of comparative analysis as here conducted with a simple non-technical methodology. With his step-by-step comparison of the countries, he clearly gives us new insight into the interaction between actors and institutions in each of the countries. At the same time he allows us to generalize on the importance of institutions in the shaping of long-term historical developments.

The first question concerns why three countries that started at approximately the same point very soon parted ways, and here Steinmo finds decisive institutional variation. The US Constitution produces weak government, limited in its decision making capacity by an efficient checks and balances mechanism. But he also finds a system that in the early 20th century developed institutional traits that in combination with these constitutional factors produced a mixture of incentives for action and constraints on action in American tax policy making. Among these were single member districts binding congressmen to their local constituency, the introduction of primaries intended to weaken political parties, and the parallel creation of strong committees with chairmen appointed according to seniority. Together these institutional innovations strengthened the bias against party cohesion and political loyalty towards the incumbent president. It also gave individual congressmen strong incentives to pursue their own courses of action. In tax policy the implication was politicians giving in to a populist temptation while at the same time giving concessions to parochial interests. Steep progression was combined with loopholes and tax expenditures. The unintended consequences were unseen complexity, lack of transparency combined with fiscal inefficiency, making it impossible for the administration to pursue a strategy for governmental expansion on a Swedish scale.

British tax policy is a very different story. In the British system, power was centralized and the constitutional provisions few and unspoken, which allowed for strong party government where the party in power was in a position to make and implement its own policy choices. It felt no need to compromise with other parties, not to say individual politicians or external interests. But if the majority changed, and with the British electoral system it easily could, the successor wasn't impeded in changing policy to pursue its own ideological and electoral goals. In policy terms the implication was redistributive taxation combined with tax financed social protection.

Sweden placed itself in between. As in Britain, the introduction of progressive income taxation was combined with social legislation. But as in the US, the institutions did not allow for one party and/or governmental dominance. The incumbent agrarians had to compromise to get support from a majority in both chambers. However, contrary to the American system, the Swedish system was marked by considerable stability. At the beginning of this century, only 10 percent of the population could vote for the Riksdag, so electoral concerns were negligent. This allowed for a powerful bureaucracy to represent the fiscal interests of a strong state. In decision making terms the result was a technocratic procedure. In policy terms it was relatively coherent and efficient tax laws, favoring big business while at the same time providing the financial basis for social protection and governmental expansion. It was also a tax system that gave incentives for investment and disincentives for conspicuous display of material wealth.

Following his main proposition on the institutionalization of bias, Steinmo now shows how, between the wars, policy makers in both Sweden and the United States had a strong incentive to enter what is called a "historic compromise." In both countries they realized that given the institutions, some groups were in a position to veto other groups' ability to push through a unilateral decision. The consequences were most clearly seen in Sweden, now ruled by the Social Democratic party. Lack of a majority, first in both chambers, then in the upper chamber, induced the Social Democrats to show moderation. It also induced them to woo for support from organized interests representing both labor and capital. This strategy materialized in the Saltsjöbaden agreement of 1938 where a centralized, corporatist bargaining procedure led to an agreement on a range of economic and labor market issues. Once more the outcome was tax laws that efficiently raised money and at the same time favored the economic interests of big industries at the expense of small, less efficient enterprises. In the preparation of this historic compromise, a bureaucratic and technocratic elite in and out of government once more played a dominant part.

In the US, a sort of historic compromise was also entered for very much the same institutionally produced reasons. But although the institutions gave incentives to political compromise, the atomistic structure of American

representative institutions paved the way for particularistic lobbying. Similarly, the electoral system gave individual congressmen strong incentives to pursue the parochial interests in their local districts. So although compromise was the result, the consequences of tax legislation were quite different from Sweden's.

Still, compared to Sweden and the US, Britain makes up the deviant case. Party government and centralization of power in cabinet provided no incentive for British politicians to compromise with other political or corporatist interests, and they did not do so. On the contrary, parties had the prospect of winning the next election and with that the unlimited power to make their own policies.

The institutionalization of a historic compromise in Sweden and the United States does not sound like a prescription for change. Yet, Steinmo shows how institutional changes in both systems produced incentives to change tax policies. In both countries, increases in tax revenues decided during WWII were upheld after the war, in spite of political promises to the contrary. Especially in Sweden, an efficient tax system, supported by a broad tax base, provided ample financial resources for building up and consolidating the modern Swedish welfare state. The two chamber system, with the Social Democrats holding a safe and long-term majority in the upper chamber, protected the party's power and policies against political erosion. This stability was further cushioned through the corporatist institutions of the Harsund democracy. This combination of political and institutional stability further strengthened the platform for a technocratic and bureaucratic elite, cross-cutting the frontiers between the civil service and interest organization academic advisers. Actors operating within this institutional set-up were immune to increasing criticisms of an intolerable tax burden, but constitutional reform changed this. With the upheaval of the upper chamber, Sweden finally got a modern parliamentary system. Now electoral change could lead not only to a change in government, it also gave parties and governments an incentive to work for policy reforms, unthinkable with the traditional combination of corporatist and technocratic policy making. In tax policy terms, the political-institutional basis for efficiently raising government revenue had disappeared. However, as Sweden decided to have its tax reform during the 1980s, it was still possible to exploit the old institutions within the new, much less stable institutional context.

In the US, reforms of the Congressional committee system had similar effects. In the 1970s, a reform was initiated to break the dominance of the old Ways and Means Committee. This involved more openness in committee negotiations, more flexible amendment procedures, and a decentralization of authority to sub-committees. In tax policy terms the implication was an even more loop-holed and inefficient system. This pattern was partly confirmed

when President Reagan introduced and won support for his tax reform in the 1980s.

Again, very little happened in Britain. The centralization of political power made governments practically immune to proposals for institutional reform. For the two main political parties the only incentive that counted was the prospect of seizing power through electoral victory. And in the 1980s, when Britain prepared its version of a modern tax reform, adapted to the globalization of the world economy, the table was set for a chaotic political infight.

With his book, Steinmo has given us an exciting account of how institutions shape preferences and give incentives to political actors of any kind. He has also shown us how politicians may have a strong predilection for spending more money but do not get far with their ambitions when confronted with voters who have an equally strong dislike for paying higher taxes. So, the real difference is not between the proponents of big government and laissez-faire capitalism, nor between collectivists and individualists. It is between politicians operating in an institutional context which allows them to expand the tax base and to increase government revenue, thus enabling them to finance popular welfare programs. In this process, ideology is of little importance. To push the argument a bit, Sweden (and Scandinavia?) does not have the welfare state because of the predominance of Social Democratic values, but because it was possible to raise taxes to higher and higher levels.

The fascination with this impressive analysis cannot conceal a couple of reservations. Despite the apparent simplicity of the theoretical approach, the analytic design actually turns out to be extremely complex. Therefore Steinmo's analysis is most powerful when it unravels the institutionally shaped incentives of party and governmental actors to prefer one or another strategy in their tax policies. It is also strong in its account of how strong incentives to compromise have produced radically different tax policies in Sweden and the United States. It is less convincing in the British case. Clearly, the centralization of political power in Cabinet and Parliament is important, but the analysis of the incentive structure of party leaders provokes a counter question: Given the impending risk that the next government might change tax policies in a different direction, does the incumbent government not have a strong incentive to construct an institutional safeguard against undesired policy revisions? Like corporatist consent made change possible in Sweden, corporatist co-optation might have been an integral part of a rational strategy to protect prior policy gains in the British case.

Another reservation concerns the analysis of the role of bureaucracy. Could it be that political stability prepares for bureaucratic power? Or is it rather that rapid political change facilitates a strong position for the civil

service and the dependence of departmental ministers on their loyal advice? Following conventional wisdom, Steinmo assigns a technocratic Swedish civil service a decisive role in shaping tax policy throughout this century. How solid is his evidence? Could he be reproducing a myth, propagated by an elitist milieu of mostly economists that has staffed Swedish ministerial departments as well as the unions and the employer and industrial associations? The question is worth considering, because an analysis of incentives, operating on the main political actors, mostly seems sufficient to explain their policy choices. By including bureaucrats in his analysis, Steinmo runs the risk of over-determination and of venturing an explanation involving a certain amount of guesswork. The risk increases, because Britain has an even more elitist civil service. In this case, the bureaucratic elite might even have a strong incentive to work for the kind of compromises that could produce more long-term continuity in policy. The counter argument, of course, is that the majority in power always had the power to do what it wanted in the short run and therefore had little incentive to take strategic policy advice from their senior bureaucrats in Whitehall. This may be right, but the argument overlooks the complaint, repeated in turn by Conservative and Labour ministers, that with the strength of the British administrative class they were often bereaved of their formal authority to make their preferred policies.

Democratic Governance and Bureaucratic Management

If institutions create incentives that in turn shape actor preferences and opportunities to act, it can explain why policy makers in some countries have been able to create the financial basis for big government. It also discounts the importance of political ideology in the building of big government. It was not welfare-statist Social Democracy that gave Scandinavia its large welfare state, and it was not American individualism that blocked for a similar expansion in the United States. In both cases it was the institutions.

However, a broad tax base combined with an efficient taxation system cannot explain why e.g. Sweden developed a particular welfare state, nor why the other Scandinavian countries followed suit. So, ideological and/or cultural variables might still be at play. This is the starting point for *Anders Lindbom's* equally exciting study of the historical development of school governance in Scandinavia. In a tightly organized comparison, he analyzes the issue of parents' formal influence on the governance and management of primary schools. His empirical analysis covers only Denmark and Sweden in a systematic way. Norway is not subjected to the same thorough analysis but is treated much more cursorily as a critical case.

Lindbom's ambition is also to test the strength of historical-institutional theory. He expects to find strong path dependency, as past policy choices and

inherited institutions define the starting point for any discussion of the institutional set-up of the future. These historical institutions are bearers of legitimacy, generally accepted by political actors as the basis for discussions of institutional reform. This accounts for path dependency, but it does not exclude institutional change. The expectation is to find incremental change over time rather than radical reform. The proposition is also that different institutional legacies may account for why otherwise similar countries move along different paths. From this perspective the Scandinavian countries provide a good testing ground for the strength of historical-institutionalist explanations. From a macro-perspective they are so similar that a number of variables can be treated as constants.

Theoretically, there are rival explanations against which an institutional explanation has to be tested. One alternative explanation, found in the literature, is that differences in the strength of the working class are the historically important factor. Compared to the Danish labor movement, the Swedish labor movement has been better organized and has held power for much longer periods. Therefore, possible differences in the institutions of school governance might be accounted for by the distribution of power. According to this hypothesis, the Swedish Social Democrats, contrary to their Danish party fellows, simply have had the power to pursue their goals. Here the expectation is that from an egalitarian perspective Social Democrats will prefer centralized over decentralized forms of governance. Another rival explanation focuses on differences in ideas and ideological discourse. As Lindbom points out, Danish school history is often seen as the incarnation of *Grundtvigianism*, a liberal-religious movement arising among Danish farmers in the second half of the 19th century. According to Grundtvigian ideas the autonomy of the individual and the family is inviolable. Translated to educational policy, this implies the constitutionally protected right of parents to send their children to private schools. For public schools the implication is local self-governance and parent democracy. The Danish Liberals, with their historically strong support among farmers, are often seen as the political bearers of Grundtvigian ideas. Thus, in discourses on school policy they can be expected to opt for decentralization, self-governance in individual schools, and strong parent democracy.

The institutions of governance within Danish and Swedish primary schools are strikingly different. Danish decentralization contrasts Swedish centralization. Formalized parent democracy in the Danish democracy has to be compared with the absence of user democracy in Sweden. Strong Danish private schools with an enrollment of 11–12 percent have no equals in Sweden where the private school enrollment is merely 3 percent. But this variation at the dependent variable does not help us to a theoretically satisfying explanation.

This is where Lindbom's study excels. In an extremely well-documented analysis, he first demonstrates how path dependency has led the two Scandinavian countries in different directions. In Denmark there was, even in pre-constitutional times, a well-established tradition for local self-determination and a kind of institutionalized co-determination for users. Grundtvigian free schools and the act regulating public sector primary schools continued this tradition. National legislation and central authorities regulated local schools; their affairs were never managed by a central bureaucracy in the Weberian sense. In Sweden, school laws issued in the early 20th century established a strong centralized tradition based on national governance. Local authorities were placed at the bottom of an administrative hierarchy with a central agency, *Skolöverstyrelsen*, as the decisive body. There were no provisions for parent democracy and little local autonomy.

But was historical institutionalism at play? Here, Lindbom in turn deals with the theses of class power and ideological discourse. The former is rejected, because, as Lindbom shows, the Swedish Social Democrats were not consistently centralist; rather their political positions on the centralization-decentralization dimension and on the functional-general democracy dimension were at times ambivalent. But in the 1980s they supported a reform that decentralized authority to local government, and over the years, especially during the preparation of this reform, they also supported the principle of parent democracy. The discursive explanation does not fare any better, because, as Lindbom convincingly documents, the Danish Liberals, dominating Danish local governments up through this century, were reluctant whenever the issue of strengthening parent democracy was discussed. Similarly, the Social Democratic minister of education in 1933 presented a bill to institutionalize an embryonic kind of parent democracy in local schools. He did so stressing that,

We do not want a compulsory school, we are against it – and that I say on behalf of a united party, with the unanimous authorization of our parliamentary group – that we oppose state monopoly . . . We want the public primary school [folkeskolen] to be the common school for all children, but we do not want it through compulsion, but through a voluntary evolution . . . (Quoted from Lindbom, p. 14; my translation).

At this point, Norway enters the analysis as a critical case, although it is treated somewhat carelessly. Still, Norway is interesting because there has been no Grundtvigian discourse, but instead a labor movement of considerable strength. Against expectation, Norway actually has an institutional tradition for parental co-determination in schools.

The study leads to several important conclusions. First, for both Denmark and Sweden it documents a fundamental political consensus on key issues in the governance of education. Second, this consensus is national. By implication there exists no Scandinavian model in this area, but three

national models. Third, ideas are discounted as a driving force. What matters are the institutions as they have developed through history. Fourth, the implication is not the existence of well-defined national models; rather each sub-sector within the educational system has its own institutional legacy and therefore also its own institutions in modern times.

Fifth, a strong historical legacy does not exclude change, but because of institutional inheritance this change often takes different directions. The prime examples are the school governance reforms in both Denmark and Sweden around 1990. For the political parties an important goal was to strengthen and institutionalize user democracy in primary schools. When new legislation was finally enacted, however, it took different directions. In Denmark, directly elected school boards were given some formal decision making authority over school management; in Sweden the old centralized administration was dissolved and replaced by a new agency with less authority and fewer resources. Simultaneously, local governments took over the responsibilities for the financial, economic and pedagogical management of schools, but there was no trace of parent democracy in the new Swedish educational act. Local governments did not like the idea, the teachers' union finally came out against it, and politicians who were in favor of the idea gave in to the opposition. With the general introduction of co-determination at the Swedish labor market in the 1970s, an institution had been created that served the teachers' interests well. In Denmark neither the debate nor the interests were very different, but the conclusion was – although Lindbom tends to overestimate the formal authority and actual power of the new school boards introduced in 1990.

Why? Is path dependency and inherited institutions the full answer? Surely not, but Lindbom's discussion of variables like power and interests is not nearly as clear as his discussion of institutional inheritance. So, although he acknowledges the strong corporatist traits of especially Swedish primary education, his discussion (in ch. 6) of the interaction between institutions and actor interests as a dynamic factor of change is somewhat deficient. The same is the case with his analysis of teachers as a professional group, constantly asserting autonomy while groping with strategic uncertainties coming up in landscapes with varying institutional shapes.

Professionalism and professional interests are general phenomena. There is nothing specifically Scandinavian or Swedish, Danish, Norwegian about them. Still, they attract particular interests in Scandinavian settings because the Nordic welfare states, in spite of their differences, all provide lots of services in kind through public sector institutions staffed and often led by professions. Such a group are doctors and, as time has progressed, other health care professionals, e.g. dentists, nurses, and psychologists. In their study of Norwegian health professions, *Vibeke Erichsen* and her co-authors acknowledge the universal character of professionalism and professional

interests. But their claim is that what they term “external” factors account for different expressions of these professional interests and thus for national variations as to the position and behavior of health care professions. This, as the book aptly emphasizes, applies both to the macro-level of professional organization and public sector governance and to the micro-level of professional specialization and workplace management. Regrettably, none of the studies really explore this distinction.

As an anthology and a one-country study, the Erichsen volume does not match Lindbom’s tightly written comparative analysis. But in the right context it still provides informative reading and analysis. It demonstrates, once more seen through a historical lens, how the Norwegian health sector has developed, and how individual professional groups have developed strategies to define a role for themselves within it. This has involved them in tough jurisdictional fights with other groups, and in political interactions with politicians and bureaucrats. Over time they have supported a welfare state solution, based on public financing and governmental organization. Very much in support of Lindbom’s proposition, there is, however, striking variation in the strategies followed by particular professional groups and in sub-sector policies as they have developed over decades to once more draw attention to institutional variables as shaping incentives and path dependencies. A conspicuous case is the survival of private dental care, receiving no public subsidies, in a Norwegian health care sector that in most other respects materializes the universal welfare state.

Reforming the Welfare State?

All over Scandinavia the welfare state enjoys consistent support from voters and from the political parties. Still, the scope, consequences, and institutional shape of the welfare state since the early 1980s has been placed high on the political agenda. Two works that ought to be read together are highly qualified contributions to this debate. Both concentrate on the institutional aspects of the welfare state, and characteristic of the differences between the Scandinavian countries, both are Swedish and discuss the future of the Swedish welfare state.

Apart from that, their starting points could not be more different. *Bo Rothstein*’s book is a warm defense of the universal welfare state and of the overall goals of Swedish welfare policies. The report by *Ekonomikommisionen*, chaired by the economist *Assar Lindbeck*, is a harsh criticism of not only the Swedish welfare state in its present form but also of Swedish political institutions.

Rothstein argues within a macro-institutional framework, assuming that individuals apply a dual utility function. His perspective is collectivist and

social. The economists, on the other hand, argue within a public choice perspective where actors are institutionally constrained utility maximizers. Their perspective is individualistic. Rothstein's prime concern is with the potential for the welfare state to provide a broadly accepted and legitimate framework for creating more justice. In his interpretation, this implies that without obvious reasons to act otherwise all citizens should be treated as equals by the state. This applies both to the distribution of benefits and contributions. The economists critically focus on the consequences of the welfare state and are preoccupied with its negative and unintended consequences for efficiency and growth. In their view, the welfare state with tax financed social transfers and public services is just one example of how Swedish public policies in general have created disincentives to efficiency and growth. The result is that in international comparisons Sweden is sliding down to a status of a stalemate, non-competitive society where citizens see their comparative living standards erode. Even worse, they see this as a result of the mis-design of Swedish political institutions.

The two works could hardly be more different. Paradoxically, they converge on important views that are worth discussing. First, Rothstein argues for a prescriptive role for the social sciences in a changing society. As a political scientist he, of course, realizes the limits to engaging in such applied work. The theoretical and empirical insights are insufficient, but more decisively they are still there. Characteristically, the economists just assume applied social science to be unproblematic and consequently do not discuss its potential and limits. Second, both works find weaknesses in the present Swedish welfare regime. Here analysis and prescription diverge, but again only to a limited extent. However, the partial convergence is based on quite different reasoning, which only makes for more compelling reading.

Ekonomikommisionen's focus on economic efficiency leads them to argue for a smaller welfare state, for market-based solutions (social insurance based on actuarial principles, service provision based on consumers' choice among competing solutions), and for meticulous attention to possible disincentives at the individual level. They have a preference for selective solutions, means testing, and a combination of private and public solutions. Following his concern for distributive justice, Rothstein generally finds that compared to e.g. American society the Swedish welfare state has largely been efficient. The task for the future is how to protect and even to expand this accomplishment. Here, the issue is the legitimacy of the welfare state and with that the legitimacy of state interference into the distribution of social and economic welfare. Legitimacy presupposes broad support from citizens, and broad support from citizens again presupposes universal policies that accept members of the broad middle class as both contributors to and receivers of benefits and services. Historically, Swedish Social Democrats have understood this. The problem is that the Social Democratic

welfare state by design has a paternalistic or, in Rothstein's up-to-date words, communitarian imprint. This threatens both its legitimacy and its economic efficiency as it excludes free consumer choice and user democratic co-determination. Through an entirely different reasoning, Rothstein therefore proposes partly the same reforms as the economists. But note that his is not a prescription for a lean state, discarding the welfare state. It is a strategy for consolidating the legitimacy of the welfare state and to a minor extent for improving its micro-economic efficiency.

The two works converge in their emphasis on institutions, although they have a very different view of their importance. For the economists, institutions are primarily systems of incentives to be manipulated, a view strongly opposed by Rothstein. Instead he sees them as creations of a strategically acting political elite that in this way contributes to the long-term development of cultural norms. These cultural norms are vital because they can support an individualistic society of the American type or a welfare state based on norms of solidarity. This is a matter of design.

It is interesting to see how the two works differ in their attempt to apply social science insights to produce policy relevant advice. The economists demonstrate their comparative strength in the empirical analysis of the present social and economic problems that confront Swedish society and policy makers. Their analysis of unintended social and economic consequences of Swedish welfare policies (e.g. its famous labor market regulations) is strong. Similarly, they demonstrate their strength when it comes to designing and describing alternative policies in operational terms. One example is their proposal for a new social security system based on a combination of obligatory and voluntary insurance contributions. Finally, at the general level their familiarity with model analysis gives them a fine grasp of institutional problems.

Rothstein's strengths are entirely different. He demonstrates them in his basic analysis of the problem he has set out to solve. First, his arguments for "constructive political theory," i.e. critical and/or applied political science are fine. He here confronts a problem that the economists do not even bother to mention, although it is the problem of economics as well. Second, he masters in a superb way to generalize insights from one of the more mundane fields of public policy analysis. In his discussion of the state's capability to solve societal problems, he puts together observations from implementation studies, shows how they have laid bare the innumerable hindrances to successful policy implementation, and then turns the whole thing upside-down. As policy makers typically suffer from a misplaced belief in rational design of policies and policy instruments, their standard reaction to implementation problems is even stricter regulations and organizational blueprints. However, he claims that in areas with considerable implementation problems, higher goal attainment and policy effectiveness

would probably result if policy makers had a more subtle approach to the problems of policy design and policy implementation. Then they would renounce from specific regulations and organizational blueprints to concentrate on defining the framework within which public authorities as well as private organizations and firms engaged in policy implementation should operate. Finally, compared to highly abstract political theorists, Rothstein demonstrates that it is possible to connect the abstractions of normative theory to both the insights of empirical analysis and the actual problems of the welfare state, although both reveal blatant weaknesses.

Few strings keep the academic economists, assembled in *Ekonomikommisionen*, from redesigning the Swedish constitutional system. Although they repeatedly confess their belief in democratic pluralism, their design proposals have a slight semi-authoritarian twist. Thus, they prescribe stronger parliamentary government, but their ideal is not the Westminster system. Rather it seems to be the 5th French republic with a strong executive, a weak parliament, and a strong and technocratic bureaucracy. Further, from an applied social science perspective they are not overly critical of the quality of the evidence they cite to make their constitutional amendments plausible. Finally, both here and with several other of their proposals, the economists pay little, and at best superficial, attention to the strategic challenges that face the prospective reformer who would put just a few of their recommendations into policy. Clearly, none of them have read Steinmo or Lindbom.

In several respects Rothstein is no better. His use of evidence to support his arguments are those of a polemic. Witness as an example his discussion of the self-interest explanation of political and bureaucratic behavior. To make his point more forceful, he even resorts to manipulation in his citations: through a quote from Patrick Dunleavy (*Democracy, Bureaucracy, and Public Choice*, 1991), he invokes support for the conclusion that "most of the recent discussion of economic explanations in political science has not been helpful" (Rothstein, 148). But first of all, the translation of the quote into Swedish is not correct, and second, it totally misrepresents Dunleavy's basic point that "*generalized* critiques of rational choice explanations as a genre no longer do a great deal to advance knowledge or debate" (Dunleavy, 258; emphasis added). Then Dunleavy as a matter of fact makes up the strengths and weaknesses of rational choice analysis and concludes in a balanced and positive manner on the "potential [of institutional public choice] to shed new light on some central questions of political science . . ." (ibid., 259).

Another obvious weakness is Rothstein's propensity to make a point but then stop his discussion before it is fully developed. An illustrative example of this bad habit is his recirculation of his own typology of implementation models (bureaucracy, professionalism, corporatism, user influence, and

lottery). Here and in his discussion of the relationship between types of tasks and implementation techniques, his discussion is imprecise, maybe because he has not bothered to further develop basically fruitful ideas presented by himself several years ago.

The Scandinavian Model?

In this essay I have reviewed five works of considerable quality. Together they produce new knowledge of the Scandinavian welfare states and the political processes through which they have been created. The two normative works further make an important contribution in identifying some of the problems facing the Scandinavian welfare states as well as the problems in developing remedies to cure them that are at one and the same time efficient, certain in their effects, legitimate, and based on a sound strategy for their adoption and implementation. This is a harsh test, probably so harsh that the proposals advanced by *Ekonomikommisionen* can be put aside as a provocative and often stimulating policy paper that did not meet the demands of an institutionally constrained political process.

Overall, the five studies support one general conclusion concerning the importance of institutions. In particular the three empirical works give substance to the historical dimension of modern politics and administration. Institutions, also in the more concise sense of formal rules, are not created through a closed, semi-academic process of institutional design and social engineering. It is a political process involving bargaining and heavily dependent upon the institutional legacy from the past. As institutions develop through path dependency, change tends to be incremental; but, as both Steinmo and Lindbom convincingly show, this does not preclude reform. Institutional changes, never so incremental, open for radical policy change, and experiences with incremental institutional change induce political actors to critically review their attitudes towards other institutional changes, thus paving the way for reform. Also at the general level the empirical studies deal a hard blow to the popular version of neo-institutionalism propagated by Brunsson, March, and Olsen: First, institutional reform is not impossible; second, it cannot be reduced to purely symbolic action; and third, institutional reform is not a matter of adopting models that give normative meaning to actors. Rather the common conclusion supported by these studies is that although difficult to initiate and implement, institutional reform is undertaken as the result of strategies chosen by intentional actors, reacting to and exploiting political changes that take place within existing institutional constraints as well as institutional changes.

As a group, the studies also give us another valuable insight. The basis for talking of Scandinavia as the home of the Social Democratic welfare state

and even broader of the Scandinavian model is non-existent. First, the countries diverge quite a lot in their choice of welfare models; even within each country there is much variation from one sector and sub-sector to another. Second, these different models seem based on a broad consensus. They are not just the projection of Social Democratic welfare state ideology. In that case it would be necessary to operate with several Social Democratic models. Third, Scandinavian big government-cum-welfare-state is the result of a long-term historical development where common (?) macro-institutional features have induced politicians to devise tax-financed welfare policies that had legitimacy because in each case they conformed with patterns laid down in the recent and distant past. Fourth, if Steinmo and Lindbom are right in their discussion of the role of institutions, a promising program is laid out for further analysis of the interaction between the strategic choices of political and administrative actors and institutions operating both as conservative constraints and opportunity creating incentives. Such analysis will allow us to better conceive of the common occurrence of institutional and organizational inertia, institutional change, and to specify the conditions where we should expect either.

Such generalizations, inferred from the empirical studies reviewed above, call for more systematic comparative research. Actually Scandinavia provides a rich testing ground for comparative institutional analysis and for propositions derived from institutional theory. In spite of their often overlooked differences, they are similar in important respects. Such similarities make it possible to control a number of variables while concentrating on the ones in focus of the specific analysis and/or theoretical approach. The combination of basic institutional similarities and institutional variation also makes Scandinavian comparative studies an interesting field for testing when small-scale institutional variation has behavioral consequences. This applies at the macro and meso-institutional level of policy making and political bargaining, but also at the micro-institutional level of management and implementation. The topic is briefly touched upon but not really discussed in any of the works reviewed here. That is a pity, because if the historical-institutionalist argument holds, there is reason to expect that the forces of continuity and change found at the macro and meso-institutional level will also operate at the micro-institutional level, possibly with the consequence that macro-level reforms come to little or nothing as soon as they have to be processed through micro-level institutions. This is the same political-institutional logic that explains the inter-sectoral variation found by Lindbom.

The latter point assumes particular weight, as a shared trait of the Scandinavian countries is their high degree of decentralization. But the decentralized solutions vary in important respects. Local government taxation varies. Central regulation of local affairs varies. Preferred organizational

solutions vary. The private-public mix varies, witness for example Lindbom's study of primary schools in Denmark, Norway and Sweden. Finally, the three countries have to different degrees been receptive to modern ideas of public sector reform. Thus, Denmark moved further in institutional reforms of its educational system, introducing more parent democracy in primary schools and setting up a quasi-market system for its vocational training schools. As a contrast, Swedish counties have engaged in experiments of managed competition in the hospital sector, while Norwegian policy makers have seriously considered a denationalization and decentralization of Norwegian hospitals. Why? And equally important, what happens when highly decentralized systems are subjected to sometimes radical institutional reform? Does the reform come to nothing at the decentralized level of government and management because it runs into insurmountable opposition from vested interests? Or does it create incentives for further changes, and if so, in which way do these adaptive changes point? If we should believe Steinmo and Lindbom, path dependency does not imply that we can easily predict what will happen. However, it implies that Scandinavian public sector governance and administration is also a promising empirical field for testing theories of multi-level government and on the conditions for and consequences of public sector reforms.