

Democratic Governance in Scandinavia

Noralv Veggeland

Democratic Governance in Scandinavia

Developments and Challenges
for the Regulatory State



Springer

Noraly Veggeland
Inland Norway University of Applied Sciences
Elverum, Norway

ISBN 978-3-030-18269-4 ISBN 978-3-030-18270-0 (eBook)
<https://doi.org/10.1007/978-3-030-18270-0>

© Springer Nature Switzerland AG 2020

This work is subject to copyright. All rights are reserved by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, express or implied, with respect to the material contained herein or for any errors or omissions that may have been made. The publisher remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

This Springer imprint is published by the registered company Springer Nature Switzerland AG
The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

To Unni

Preface

This book, *Democratic Governance in Scandinavia: Developments and Challenges for the Regulatory State*, has, as its academic focus, the Western regulatory state concept, the transformed Scandinavia welfare state, and policy conflicts and democratic challenges. The regulatory impact analysis of the European standard, the analytical studies of developments and organizational reforms, and the comparative approaches presented in this book have been carried out to develop an understanding of who governs the modern Scandinavian countries in a European integration context.

I refer in this book to Robert A. Dahl's classic political science work *Who Governs? Democracy and Power in an American City* (1989), in which he argues changing democracy forms are a reality in our modern times. I also reference this work because it focuses on my research subjects of renewal of governance structures in modern Scandinavia and the EU. I furthermore analyze the imminent regulatory governance structures versus traditional representative government structures.

I have been conducting research into Scandinavian countries' economic and political development for many years. In this work, I have found that all the Scandinavian countries are becoming regulatory state formations, rooted in European integration. The supranational European Union regulatory bounds have, over time, forced these countries' political and economic direction, leading to good and bad effects on the survival of the countries' traditional universal welfare state model and on the people living in the North. There is a lack of books on this issue.

The writing of this book has been inspired by the author's many years of research and writing on Scandinavia and welfare state matters. I feel that it is important to bring knowledge and alternative perspectives on the subject to the public domain, my hope being that the book can inspire people and academics to discuss important democratic issues. I, in this book, present and discuss the thesis that traditional parliamentary and representative democracy is gravely threatened by the building of unelected arm's-length steering bodies in our polities.

As the author of the book, I would like to take the opportunity to express my deep thanks to my colleagues and the Inland University of Applied Sciences, Lillehammer, who have made it possible for me to write this book. Special thanks must also go to my colleague Professor Dr. Ole Gunnar Austvik. I would also like to thank the publisher, Springer, and in particular Johannes Glaeser for his assistance.

Lillehammer, Norway
January 2019

Noralv Veggeland

Contents

1	Introduction	1
	References	7
2	The Narrative of the Upcoming Regulatory State	9
	Introduction	9
	Mechanisms	10
	The Regulatory State: Risk and Policy Style	14
	Revisiting Majone's Concept of the Regulatory State	16
	References	21
3	The Regulatory State in the Study of European Governance	25
	Approaches	25
	Modes of Regulation	29
	Trends of Dominance	30
	Trend 1: The Use of Legal Authority	30
	Trend 2: The Expanding Role of the EU	32
	Trend 3: The Contributions of Regulators	33
	Trend 4: The Audit Explosion	33
	Trend 5: The Weakening of Corporatist Institutions	34
	Prevailing Governance Strategies of the Regulatory State	35
	The Strategy of Modernization	35
	Strategy and Agencification	37
	Transformation of Institutional Self-Regulation	38
	Formalization of Relationships	41
	The Study of Regulatory Innovation	41
	Innovation of Institutions and Regulations	43
	Regulatory Innovation: A Case of Scandinavian Involvement with the EU	44
	Dilemmas of the Regulatory State	47
	The Dilemma of the Numerous Regulatory Agencies	47
	The Dilemma of Hyper-regulation Leading to Hyper-innovation	48

	The Dilemma of Exponential Rise of Transactional Costs	49
	The Dilemma of Democratic and Legitimacy Deficits	51
	Regulation Through Ethics	53
	References	56
4	The Concept of the Democratic Regulatory State in a Scandinavian Context	59
	Bureaucracy Connotations	59
	Regulatory State	61
	Areas of Regulatory Exposure	63
	Consequences of Regulatory Governance	64
	Social Capital of the Scandinavian Type	66
	Controversial Scandinavia	69
	The Regulatory Clientelism Turn	71
	References	73
5	Democracy: A Changing Term	77
	Nation Building and Democracy	81
	The Post-National Democracy	85
	Democracy and Central State Planning: Regulation and Complexity	88
	The New Democracy and Its Lack of Legitimacy	96
	Complexity, Democracy, and Planning	97
	Input Legitimacy	98
	Output Legitimacy	98
	Joint Learning and Task Resolution	100
	Process Organization Based on the Requirement for Soft Communicative Action	101
	System Changes	101
	References	103
6	Translation of European Social Models	107
	Social Models and Traditions	107
	Comparison	108
	Anglo-Saxon Flexible Labor Market	110
	Continental Flexibility	110
	Nordic Scandinavian Flexicurity	111
	Promoting Flexibility and Innovation	112
	Regional Impact	114
	Microeconomic Effects	115
	References	117
7	Administrative Traditions: And the “Trilemma”	119
	Introduction	119
	“Spillover” Processes	120
	Dependence, Vulnerability, and Sensitivity	124
	The Search for Security and Safety	127

Welfare State Security and Risks	129
The European Social Capital Trade-offs	132
European Traditions of Governance and Trade-offs	133
Conclusions	135
References	136
8 Conflicting Economic Politics	139
Introduction	139
Left Side Policy	139
Neo-Keynesianism	140
Job Creation by State Intervention	141
Nobel Prize Winners	141
Neo-Keynesian Confrontation with the Neoliberals	143
The Norwegian Case	143
Short Summary	144
References	145
9 Case Study: Accounting Reform—In Regulatory Norway	147
Introduction	147
The Difficult Financial Control	148
The Norwegian Case	149
Universal Public Services	151
Historical Roots	151
Social Implications	152
References	153
Appendix A	155
Appendix B	161

About the Author

Noralf Veggeland is Professor of Public Policy at Inland Norway University of Applied Sciences. He is former Rector of the University. He was Managing Director of Nordic Regional Research Institute, Copenhagen, for four years; twice a long-term visiting professor and lecturer at Massachusetts State University, Amherst, USA; visiting research fellow at the European University Institute, EUI, Florence; and former member of the Norwegian Research Council. The author has an outstandingly long list of national and international publications. noralv.veggeland@inn.no

Chapter 6

Translation of European Social Models



Social Models and Traditions¹

The different administrative models and traditions of the European and Scandinavian countries are, by and large, characterized by social economies. This is demonstrated by their strong emphasis on balancing pure economic achievements with other goals, such as welfare, employment, social cohesion, leisure, and environmental sustainability. This implies that Europe is characterized by a larger public sector than other parts of the world (OECD Statistics 2005).

It is equally true that there are many European social sub-models. How many depends on the level of analysis, from the local to the national and to international levels. A coherent picture can, in other words, only be drawn if the analysis takes place at a reasonably high level of territorial aggregation (Knill 2001). The aim of this chapter is to group countries into appropriate sub-models in such a way that usefully explains how paths and administrative traditions perform innovation in the regulatory regimes (Majone 2003; Veggeland 1999).

We, by going beyond the macro-level of the European economic and social model, can distinguish the three sub-models of the Nordic Scandinavian, Anglo-Saxon, and Continental type (Knill 2001; EPC 2005). A Mediterranean and a new Eastern Europe model could also very well be recognized. A group of countries which have recently emerged from more than 50 years of Communist governance will, of course, have some common characteristics. It is, however, very likely that these countries will soon adopt one of the European models. This process is, indeed, probably already under way. The Southern model may be identifiable, but is not so useful in this analysis. Most of its characteristics can be found in (and probably come

¹Per definition, social models embrace unnumbered regimes. My approach here is to elaborate transnational models containing international regimes. Fruitfully, S. Krasner (1983: 1) defines international regimes as “principles, norms, rules, and decision-making procedures around which actors expectations converge in a given issue-arena.”

from) the Continental model. Even the traditional historical West Nordic model (Norway, Iceland, and Denmark) contains characteristics that differ from the historical East Nordic tradition (Sweden and Finland), despite belonging to the common Scandinavian welfare state model. For example, the administrative tradition in the West Nordic tradition is that all public bureaucracy is, in principle, directly responsible to and controlled by the government, while in the East Nordic tradition, bureaucracy is partly exercised by an independent government agency, each controlled by an appointed board of experts. The characteristics of this have been identified and distinguished, and interesting conclusions have been analytically proposed (Gidlund and Jerneck 2000).

It is, for example, suggested that the East Nordic Scandinavian model, with its democratic expert management tradition based on a large number of self-ruling and fairly independent expert bodies, at arm's-length from the government working bureaucracy, is most open to adopting the regulatory state order. It is further suggested that the model has inspired basic NPM reforms² and distributed governance in the two-level setting found in the Anglo-American tradition, which has expanded increasingly since the 1970s (Pedersen 2006). On the other hand, the East Nordic Scandinavian model also easily later adopted reforms inspired by the Anglo-Saxon neoliberalism of the 1980s (OECD 2002). Ten years later, in the 1990s, the reform was adopted by the West Nordic states of Norway and Denmark (Gidlund 2000).

Comparison

There are, returning to the Anglo-Saxon, Nordic Scandinavian, and Continental models, some important differences and similarities between these models.

Firstly, the Anglo-Saxon and the Nordic models have become quite similar when it comes to the nature of relations between governments and markets. For example, the use of market-type mechanisms to provide government services (OECD 2005: 133). They are, however, very different when it comes to the size of government and state-centered planning and distributive social policies.

Secondly, the Nordic Scandinavian and the Continental models are more alike in terms of the public sector size, job security policies, and trade union relations. They are, however, very different in terms of government, labor market relations, and employment regulations (EPC 2005).

The Nordic Scandinavian model therefore emerges as a blend of the two large European models, the Anglo-Saxon model's emphasis on economic liberalism and the Continental model's emphasis on a large public sector and close relations to the labor market organizations (Jorgensen Overgaard and Vagnby 2005).

²For example, the "Next Steps Agencies" and "non-departmental bodies" in the UK; see OECD report 2002: 11.

Table 6.1 European models and tradition indicators

	Anglo-Saxon ^a	Nordic	Continental ^b
Government outlays as percent of nominal GDP	43–45%	48–58%	47–54%
Taxes as % of GDP (2003)	31–37%	45–51%	42–46%
Product market regulation (2003)	0.8–0.85	1.0–1.4	1.5–1.6
Unemployment rates (2004)	4.4–4.7	5.4–8.8	9.5–9.7

OECD statistics

^aRepresented by Ireland and the UK^bRepresented by France and Germany

These positions can be demonstrated in a number of ways. One way is to look at the size of the public sector measured in terms of general government total outlays as a percent of nominal GDP and as total taxes as a percentage of GDP; see Table 6.1 below. This indicates the degree to which governments and country populations are willing to spend money on collective rather than individual issues in society. Welfare and social security issues are part of the collective approach. Table 6.1 shows that this willingness is lowest in the Anglo-Saxon tradition, and highest in the Nordic tradition, the Continental tradition being a close runner-up. This is perhaps not so strange considering that the historical roots and framework of the Scandinavian welfare state model are in the Prussian collective thinking of the late nineteenth century and Weberian neutral bureaucracy.

Attitudes to markets can also be measured in different ways. The OECD carried out a study in early 2005 to analyze a number of relevant issues, including an index of product market regulation. The three main models and traditions measured using this index give the results shown in Table 6.1, the Nordic tradition appearing to be a mixture model of the other two.

The product market regulation indexes in Table 6.1 indicate that the Anglo-Saxon administrative tradition and policy targets domestic deregulation of the product market and the simplification of rules in the framework of the EU regulatory regime. Domestic reregulation for correcting the market is more common and increasing for the Continental tradition. The Nordic model is shown to be a mixture of the two other models and traditions. This model has, since the 1980s, been transformed in the direction of greater market liberalism in some sectors. The state-centered path of the model, however, still tends to perform reregulations to correct the market and for collective and redistributive purposes. Regulatory performance has to be achieved innovatively in the framework of the EU/EEA regime, as it also does for the two other models and traditions (Veggeland 2006). Politically, the Nordic model continues to be based on a con-social order, i.e., bottom-up driven politics.

Anglo-Saxon Flexible Labor Market

When comparing the unemployment rate figures in Table 6.1, it is important to underline that labor market flexibility is defined and achieved in very different ways in the models. The Nordic Scandinavian and the Continental definitions must be distinguished from the Anglo-Saxon definition.

A flexible labor market could, in principle, mean that employers and workers agree to vary working conditions and working hours to meet the needs of business and the social and personal needs of the workers. However, in the Anglo-Saxon tradition, this usually means flexibility for employers, job insecurity, individualized wage payment, and low-paid wages and other poor working conditions for large groups of employees. Workers have low work security protection and are dismissed for profit and other reasons.

The definition of flexibility, in this tradition, stresses elements such as the possibility of wage differentiation based on performance-related pay and task measurement, part-time workplaces, contract-based appointments, job insecurity, no tariffs, low-paid social groups, health assurance linked to employers, and a passive Labor Market Policy. What came out of this was growing employment since the 1980s and low official unemployment rates as indicated in Table 6.1. However, inequality also increased (Pierson 2001a, b). People in work, however, often cling to the workplace they have despite bad working conditions, because their security is linked to the employer (Iversen 2005).

In short, labor market flexibility in the Anglo-Saxon framework is linked to job insecurity, poor work conditions, and high employment but low mobility. The EU regulatory state provokes Great Britain, the EU referendum causing withdrawal from the European Union, the so-called Brexit.

Continental Flexibility

The Continental and Nordic Scandinavian definition of labor market flexibility weights elements differently. These two traditions do, of course, deviate in certain ways, for example, trade unions having a stronger position in the traditional Continental model than in the Scandinavian, and more formal and rigid rules on the procedures of appointments and working conditions in the Continental model. Universal welfare and social security arrangements are a special characteristic of the Nordic Scandinavian model (Arter 1999; Einhorn and Logue 2003).

In both these models and traditions and their definition of labor market flexibility we find, as in the Anglo-Saxon model and since the 1980s, elements of wage differentiation by linking wages to the result of work task measurements and low-paid part-time work. In contrast, tariffs and equal access to health and social assurance, job security, and other work conditions are instead stressed in their definition. This makes them comparable, and according to Table 6.1, the Nordic

Scandinavian model is doing better than the Continental model with respect to the achievement of good employment.

However, which elements are important and which elements lead to the Nordic model being an alternative “in the middle” with regard to governance form is shown in Table 6.1 on employment policy?³

Maintaining employment in high-wage areas such as Western Europe requires flexibility of the workforce. This flexibility is in terms of previously acquired skills, a willingness to upgrade these skills constantly, and a readiness to leave jobs while upgrading skills (Iversen 2005). This could be seen as personal risk-taking but is, in reality, a strategy for job security.

Interestingly, the Continental model with its strong intervention on behalf of the employee unions through laws and procedures does not seem to provide security of this kind. It does provide compensation for the unemployed. But it does not, however, provide sufficient jobs. A persistent unemployment rate of more than 10% in Continental European countries demonstrates that this model has serious imbalances, runs a very strong risk of financing problems in the longer term, and thereby loses legitimacy in the EU struggle to develop a promising social model for Europe and an enlarged EU.

Nordic Scandinavian Flexicurity

One important feature of the in-between Scandinavian labor market situation, indicated in Table 6.1, is the flexibility of the Active Labor Market Policy and the employee unions combined with social security policy for the unemployed, i.e., what is called “flexicurity”⁴ policy, a term discussed earlier in our book (EPC 2005). This policy helps explain why the Scandinavian welfare state model may, in this respect, be sustainable despite the high costs paid by taxpayers. The key to its success is that the employment service has been turned from providing passive compensation for unemployment to providing services which help the unemployed develop their skills and actively search for jobs. This is probably a much better use of public money than paying 10% or more of the population for not working, which is a bad solution for economic and welfare state sustainability (OECD 2005).

Contemporary Nordic countries are achieving a better result through employing its workforce in a flexible way. This is most likely due to three elements:

- The universal health and social assurance arrangements
- The active Labor Market Policy
- The transformation of earlier rigorous regulation of its labor markets to softer regulations of an innovative and satisfactory character

³I owe great debt to the analyses of the EPC 2005 working paper in the following.

⁴Labor market flexibility combined with social security.

It is, in contrast, very difficult in Continental Europe to change the workforce, to alter the make-up of skills, and thereby to offer flexibility to employers and job security. This is, however, quite easy in the Scandinavian model. Adaptation to a fast-changing labor market through lifelong learning is, in general, accepted in the Scandinavian model. A further social driving force behind flexibility in the Nordic Scandinavian model and in the framework of mobility is that changing job or employer or being out of work because of upgrading personal skills does not mean the loss of health and social security rights. These rights are universal and do not depend on employment or employer (Iversen 2005). This phenomenon is of greatest importance in sustainable local and regional development in the framework of the new regionalism and competing regions (Veggeland 2000).

The modernized contemporary Nordic Scandinavian model represents, in this context, an administrative innovation in a European setting. The innovation is linked to the creation of necessary flexibility in a fast-changing and globalized labor market, but within a framework of universal social security. We shall see that the innovation of flexicurity policy, as an appropriate solution that is based on positive feedback, has not come up by an accident but as part of a path-dependent development linked to the tradition of the Scandinavian welfare state model in general (Arter 1999).

Promoting Flexibility and Innovation

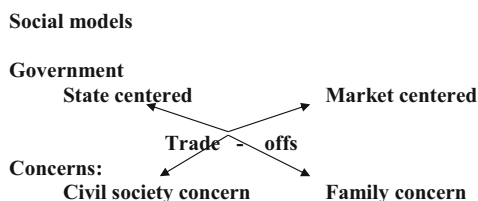
Innovation reforms as repercussions of social model paths, such as the Nordic Scandinavian flexicurity, claim to empower citizens and increase legitimacy. However, in the real world, public authorities usually find themselves facing trade-offs⁵ or even outright contradictions. The possible contradiction between two or more appealing propositions is not necessarily, but can be, obvious. If we construct society as a quadrant of appealing social models and their concerns, in terms of the European models, then four feasible trade-offs arise.

In our framework, there is a contradiction between a regulatory state-centered and a regulatory market-centered model. Inevitably, empowerment of the state diminishes the ability of the market to rule and set the agenda. There is a trade-off.

On the other hand, a state-centered social model seems, in Fig. 6.1, to encompass well a dominant family concern in terms of offering social security and welfare for all. A market-centered social model similarly will normally appreciate civil society actors, the NGOs, and their activities as arm's-length independent actors from the government, the encouragement of NGOs in this tradition being viewed as being partners against state bureaucracy and conformism.

⁵Trade-offs define where more of one desideratum, or lessening one problem, inevitably diminishes some other wished-for quality or increases a different problem.

Fig. 6.1 The quadrant of trade-offs and social model concerns



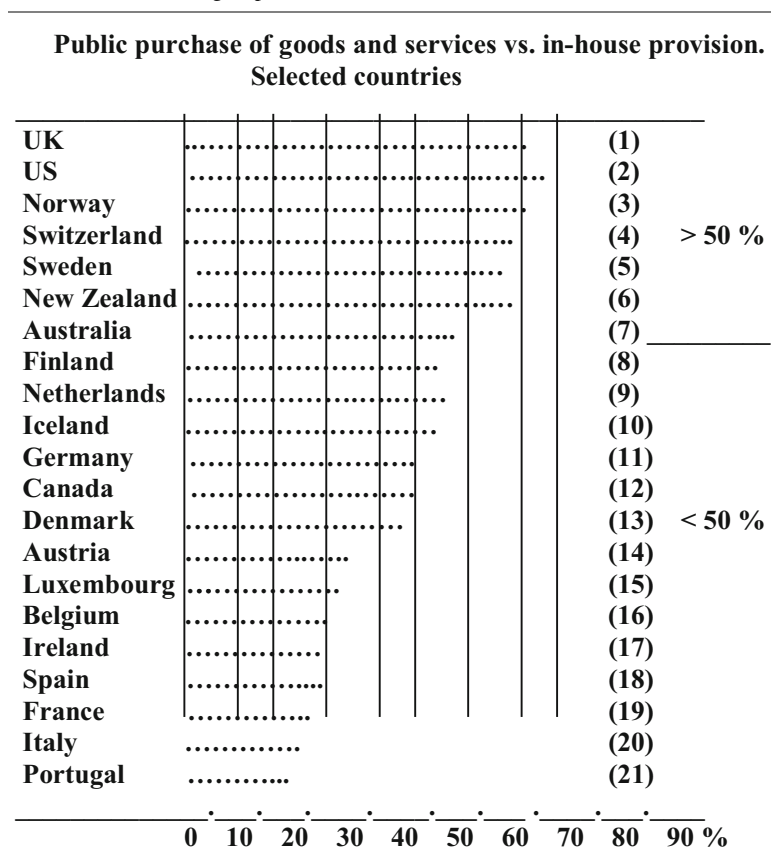
Decision-makers are obliged to balance between the things they want. More of all cannot, however, feasibly be achieved at the same time. Indeed, more of one entails having less of another. In our framework, the thesis is that the policy direction decision-makers chose to place the point of balance so that more of one thing and less of another depends on the paths derived from basic social models and administrative traditions. Trade-offs challenge the legitimacy of the decisions made, which encourages policy makers to initiate research programs and innovative processes. Scholarly advice, in the framework of rational choice, tends to make the conditions and the impacts of the options as transparent and sustainable as possible and is often vital for the purpose of legitimacy.

Trade-offs are between regulatory state centralism and civil society concern. This is inevitable, as top-down management normally does not encourage bottom-up movements. On the contrary, it often bars such movements and thereby con-social interaction, i.e., the political consensus approach is not given priority over family concerns (Weiler 1999). The thesis is that this type of trade-off is found as a path-dependent policy dilemma, coming out of the Continental social model and its regimes.

Trade-offs also occur between regulatory market centralism and family concerns, because universal social security arrangements do not exist for the employees of a family nor for the family. Employers are responsible for employees while they work for them but, in a socioeconomic sense, not for the wealth of the families. The family is not given priority over NGOs as part of the basic social capital and condition for a sustainable economy. The thesis here is that this trade-off type is most likely to be found as a path-dependent policy dilemma coming out of the Anglo-Saxon market-focused social model and its regimes.

Table 6.1 points out repercussions of the state-centered Nordic model policies, decision-making results coming out of a blending, an in-between, of the other two. This most likely is also true for our quadrant approach and the trade-offs. Hence, the thesis is that the trade-offs of the Nordic model, as a model of balancing policy, frame a policy of giving priority to both civil society and family concerns. Even so, Nordic decision-makers cannot feasibly have more of all at the same time.

The Nordic Scandinavian thesis therefore needs a supplement. Neither NGOs nor families hardly recognize a downward-bound priority related to trade-offs. However, since the 1980s and the Nordic model internationally being directly confronted by the Anglo-Saxon model's policies due to an increasingly open economy, likely trade-offs have made the Nordic countries more market centered compared to that expected from the tradition of being prototypes of state-centered regimes. We know

Table 6.2 Outsourcing of public services

Source: OECD (2005): Modernizing Government

little about what social repercussions followed as outputs of the transformation of their inherent regimes, and which transformations if any should be noted as innovations. One example of a repercussion should be looked upon as a regulatory innovation and as having a positive impact on regional development.

Regional Impact

OECD ranking is given below of the impetus for outsourcing public services of selected countries.

Table 6.2 features interesting aspects of the modernization of the public service sector, with respect to our context. The OECD data figures (2005) envisage the market-type mechanism of outsourcing as being heavily in use in Europe. It is,

however, significantly more widespread in the English-speaking Anglo-Saxon countries and the Scandinavian countries than in the Continental European states. Are there grounds for asking why this is so?

As expected, the percentages put the two main states of the market-oriented Anglo-Saxon administrative tradition at the top of the outsourcing ranking. In the EU member state of the UK, only 22% of government services are in-house, 78% being the outcome of outsourcing. In the USA, the respective figures are 35 and 65%, in New Zealand 45 and 55%, and in Australia 50 and 50%. Switzerland, being outside the Anglo-Saxon tradition, and with less than 50%, in-house might be due to the relatively small public sector.

The positions of the Nordic states in the graph might, perhaps, be unexpected in terms of these belonging to the state-centered Scandinavian administrative tradition.

Norway is ranked as the third greatest user of the market-type mechanism of outsourcing in public procurement of services, 40% in-house provision of public services and 60% from outsourcing. Sweden is fifth, following just behind with around 45 and 55%. Finland is eighth, Iceland tenth, and Denmark fourteenth, all comprehensively using outsourcing (40–50%) as a mechanism for providing public services.

The Nordic Scandinavian figures must be said to be strongly aberrant when compared with the two main EU member states belonging to the Continental administrative tradition. In the Continental tradition and in line with that expected, the market-type mechanism of outsourcing in the public sector has been, according to the graph, used only modestly. The biased path-dependent policy of Germany generated 60% in-house provision and 40% from outsourcing and correspondingly France 75 and 25%. The latter figures reveal a very traditional and strong state-centered provision of services, one for which it is questioned whether it is dynamic and flexible enough?

Microeconomic Effects

The related aberrant Nordic figures for the rate of outsourcing versus in-house provision of public services should not be explained as an empirical turnout that is biased by the path dependence of the administrative tradition. Instead, the high rate of outsourcing seems to be related to another path, the path of a Nordic tradition carrying certain institutional values, namely the value of “small is beautiful.” Let us test this hypothesis.

Three alternatives exist:

- (a) There was an adaptation to the EU directive, and a surprisingly extensive use of the market and competition in relation to that required by the administrative tradition.

- (b) An adaptation occurred, influenced by new liberalistic Anglo-Saxon ideology and by the New Public Management (NPM) principle, as can be easily interpreted from Table 6.2.
- (c) Public administration in the two Scandinavian countries were reregulated to achieve political objectives and therefore performed innovatively, because they broke away from their traditional path dependence.

Let us examine this more closely. One EU adopted regulation from the early 1990s on public procurement demands was that all public purchases of non-in-house provisions of goods and services over the marginal cost level of Euro 200,000 are obliged to be exposed to market competition through tendering and outsourcing. This takes place through open or partly open tendering and bidding rounds, the provisions being contracted out to the private providers that win each of the many bidding rounds.

This is the brief background. We are focusing on the EEA negotiations at the beginning of 1990 between EFTA countries and the EU agreement for access to the EU's inner market. The EEA agreement was entered into. Sweden and Finland, previously EFTA countries, instead of entering this agreement, in 1994 became EU members. Norway and Iceland continued as EEA countries. The EEA agreement included the EU's national set of rules and directives regarding public purchasing of products and services. Procedures and an upper limit of Euro 200,000 were established for such purchases at that time. Purchases for lower values did not require competition and bidding administration. Purchases over this value were included in the directive, and thereby placed under surveillance by the EU and, for Norway and Iceland, the ESA EFTA agency.

As in many other EU member states, there were at the time major obstacles and skeptical attitudes to the introduction of outsourcing in Scandinavian societies. This was due to a popular and social-democratic concern about private sector involvement in traditional public activities. The other concern related to very few services not being outsourced, despite great variety technically. The lack of clarity on the issue of which "services of general interest"⁶ ought to remain in-house provisions and which should be exposed to commercial competition was defined as an attack on the universal welfare state. The challenge to existing public service provision also triggered resistance from affected public employees, unions, and their political allies. Lastly, the outsourcing game was perceived as a game in which private big businesses would come out as winners and thereby threaten the Scandinavian "small is beautiful" concept, i.e., small and medium-sized businesses (SMBs) and local and regional economies.

At that time, and in the wake of the general skeptical attitudes to the market-type mechanism of outsourcing, the Scandinavian states introduced a reregulation, which

⁶The term "services of general interest" is by the EU defined as public services, which the government provides and should provide under universal obligation. The diversification of this type of services for in-house provision or outsourcing is still heavily disputed in the Union; see the dispute on the "service directive."

was influenced by the EEA agreement and probably by the “small is beautiful” tradition. Norway and Sweden set the upper limit for bidding much lower than the EU regime required: NOK 200,000 for Norway and SEK 200,000 for Sweden. Scandinavian bidding limits have now increased to more than a million krone in these countries. The decision resulted in a much more extensive use of bidding administration and outsourcing than the EU’s marginal value for public purchasing would have given. This partly explains their high ranking in Table 6.1. The decision was legal because the EU directive contained no decisions against lower national limits for biddings and competition. The directive could therefore be interpreted freely. This represents an extreme, as most public purchases of provisions would exceed the marginal level, due to Scandinavian high price levels.

What came out of this independent and innovative change in outsourcing and the Scandinavian regulatory solution in the wake of this specific Europeanization mode of institutional penetration?

On the positive side, there was an incitement to small and middle-sized private providers (SMBs) to adjust to the markets created by the outsourcing form of public administration. Small providers/businesses with low investment ability gained the opportunity to participate and adjust to public procurement and tendering because of the “beautiful” low regulatory cost level. SMBs, taking advantage of being small, numerous, and flexible, came out as winners in the vast number of bidding rounds. As contractors, they contributed to the creation of important employment and services locally all over the Scandinavian countries and thereby to regional development.

I have presented just one case of trade-offs. Similar cases, of course, exist. We, however, know very little about them and how they came into being under regulatory state schemes and in the wake of trade-offs. We therefore need more multidisciplinary comparative research to get answers.

References

- Arter, D. (1999). *Scandinavian politics today*. Manchester: Manchester University Press.
- Einhorn, E. S., & Logue, J. (2003). *Modern welfare states. Scandinavian politics and policy in the global age*. Westport, CT: Praeger.
- EPC Working Paper. (2005). *The Nordic model: A recipe for European success?* (EPC Working Paper No. 20).
- Gidlund, J. (2000). *Nordic bifurcation in post-wall Europe*. Op. cit. Gidlund, J. and Jerneck, M. (eds.) (2000: 231–263).
- Gidlund, J., & Jerneck, M. (Eds.). (2000). *Local and regional governance in Europe. Evidence from Nordic regions*. Cheltenham: Edward Elgar.
- Iversen, T. (2005). *Capitalism. Democracy and welfare*. Cambridge: Cambridge University Press.
- Jorgensen Overgaard, L., & Vagnby, B. (2005). *What happens to spatial and physical planning in Denmark after the local government reform?* Paper submitted to RGA’s RSA International Conference, University of Aalborg.
- Knill, C. (2001). *The Europeanization of the national administrations*. Cambridge: Cambridge University Press.

- Krasner, S. (1983). Structural causes and regime consequences, regimes as intervening variables. In S. Krasner (Ed.), *International regimes*. London: Cornell University Press.
- Majone, G. (2003). *The politics of regulation and European regulatory institutions*. Op. cit. Hayward, J. and Menon, A. (eds.) (2003: 297–312).
- OECD. (2002). *Distributed public governance. Agencies, authorities and other government bodies*. Paris: OECD Publishing.
- OECD. (2005). *Modernising government. The way forward*. Paris: OECD Publishing.
- OECD Statistics (2005): *OECD economic outlook* (Vol. 1, no 77). Paris: OECD Publishing.
- Pedersen, T. H. (2006). *Tonivåmodellen – et barn av den nordiske modellen eller forveksling på fødestuen*. Paper presented, Kongsvinger Sept. 2006. Lillehammer: Centre for Public Policy Innovation (CPPI).
- Pierson, P. (2001a). *Post-industrial pressures on the mature welfare states*. Op. cit. Pierson, P. (ed.) (2001: 80–106).
- Pierson, P. (Ed.). (2001b). *The new politics of the welfare state*. Oxford: Oxford University Press.
- Veggeland, N. (1999). *The arrival of the regulatory state. Global challenge and state response*. (Paper). Lillehammer: Lillehammer University College.
- Veggeland, N. (2000). *Den ny regionalismen. Flernivåstyring og europeisk integrasjon*. Bergen: Fagbokforlaget.
- Veggeland, N. (2006). *Public sector innovation in regulatory regimes. On Scandinavian path-dependence*. Paper presented at Colombia University, New York. Lillehammer: Lillehammer University College, Center for Public Policy Innovation.
- Weiler, J. H. (1999). *The Constitution of Europe*. Cambridge: Cambridge University Press.

Appendix A

OECD Statistical Data


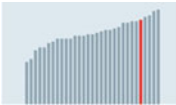
Here you may find comprehensive statistical data from the OECD and the EU to your information and use for further reading of this book:

- Norway: <https://data.oecd.org/norway.htm>
- Sweden: <https://data.oecd.org/sweden.htm>
- Denmark: <https://data.oecd.org/denmark.htm>
- Finland: <https://data.oecd.org/finland.htm>
- Iceland: <https://data.oecd.org/iceland.htm>



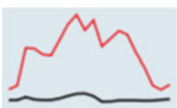
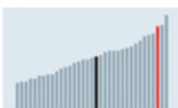
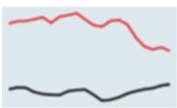
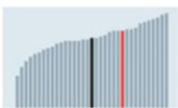
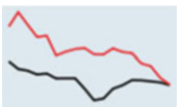
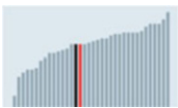
Trend and Ranking in the OECD

OECD Data: Extracts Norway

Population 5.2 Million


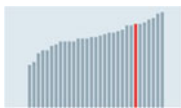

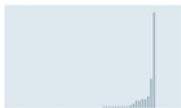
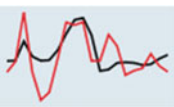
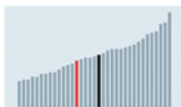
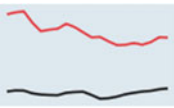
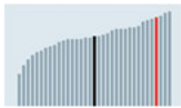
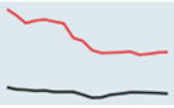
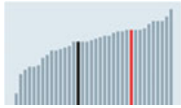
Government	Latest	Trend	Ranking
General government spending indicator	50.8 Total % of GDP 2016 Norway % of GDP	 Total % of GDP 1997–2016 Norway (red)	 Total % of GDP 2016 Norway (red)

(continued)

Government	Latest	Trend	Ranking
Reserves indicator	44,628.6 Total SDR millions Q4-2014 Norway SDR millions	 Total SDR millions Q1-2010–Q4-2014 Norway (red)	 Total SDR millions Q4-2014 Norway (red)
Profits indicator	4.6 Total % of GDP 2017 Norway % of GDP	 Total % of GDP 1998–2017 Norway (red), OECD—Average (black)	 Total % of GDP 2017 Norway (red), OECD—Average (black)
Revenue indicator	38.2 Total % of GDP 2017 Norway % of GDP	 Total % of GDP 1998–2017 Norway (red), OECD—Average (black)	 Total % of GDP 2017 Norway (red), OECD—Average (black)
Wedge indicator	35.9 Total % of labor cost 2017 Norway % of labor cost	 Total % of labor cost 2000–2017 Norway (red), OECD—Average (black)	 Total % of labor cost 2017 Norway (red), OECD—Average (black)





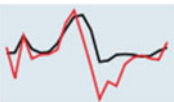

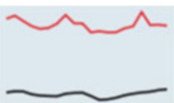


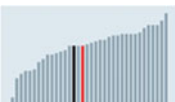
OECD Data: Extract Sweden

Population: 9.7 Millions

Government indicator	Latest	Trend	Ranking
Spending indicator	49.7 Total % of GDP 2016 Sweden % of GDP	 Total % of GDP 1997–2016 Sweden (red)	 Total % of GDP 2016 Sweden (red)
Reserves indicator	39,970.3 Total SDR millions Q4-2014 Sweden SDR millions	 Total SDR millions Q1-2010–Q4-2014 Sweden (red)	 Total SDR millions Q4-2014 Sweden (red)
Profits indicator	2.6 Total % of GDP 2017 Sweden % of GDP	 Total % of GDP 1998–2017 Sweden (red), OECD—Average (black)	 Total % of GDP 2017 Sweden (red), OECD—Average (black)
Revenue indicator	44.0 Total % of GDP 2017 Sweden % of GDP	 Total % of GDP 1998–2017 Sweden (red), OECD—Average (black)	 Total % of GDP 2017 Sweden (red), OECD—Average (black)
Wedge indicator	42.9 Total % of labor cost 2017 Sweden % of labor cost	 Total % of labor cost 2000–2017 Sweden (red), OECD—Average (black)	 Total % of labor cost 2017 Sweden (red), OECD—Average (black)






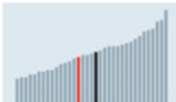
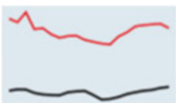


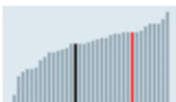
OECD Data: Extract Demark

Population: 5.7 Millions

Government	Latest	Trend	Ranking
Spending indicator	52.7 Total % of GDP 2016 Denmark % of GDP	 Total % of GDP 1997–2016 Denmark (red)	 Total % of GDP 2016 Denmark (red)
Reserves indicator	50,331.0 Total SDR millions Q4–2014 Denmark SDR millions	 Total SDR millions Q1-2010–Q4-2014 Denmark (red)	 Total SDR millions Q4-2014 Denmark (red)
Profits indicator	3.0 Total % of GDP 2017 Denmark % of GDP	 Total % of GDP 1998–2017 Denmark (red), OECD—Average (black)	 Total % of GDP 2017 Denmark (red), OECD—Average (black)
Revenue indicator	46.0 Total % of GDP 2017 Denmark % of GDP	 Total % of GDP 1998–2017 Denmark (red), OECD—Average (black)	 Total % of GDP 2017 Denmark (red), OECD—Average (black)
Wedge indicator	36.3 Total % of labor cost 2017 Denmark % of labor cost	 Total % of labor cost 2000–2017 Denmark (red), OECD—Average (black)	 Total % of labor cost 2017 Denmark (red), OECD—Average (black)


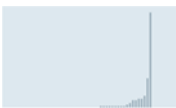
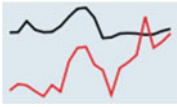
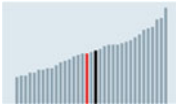
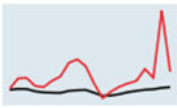
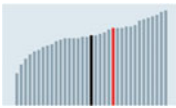
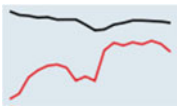
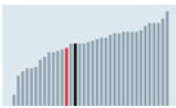
OECD Data: Extract Finland

Population: 5.6 Millions

Government indicator	Latest	Trend	Ranking
Spending indicator	55.9 Total % of GDP 2016 Finland % of GDP	 Total % of GDP 1997–2016 Finland (red)	 Total % of GDP 2016 Finland (red)
Reserves indicator	6111.2 Total SDR millions Q4-2014 Finland SDR millions	 Total SDR millions Q1-2010–Q4-2014 Finland (red)	 Total SDR millions Q4-2014 Finland (red)
Profits indicator	2.7 Total % of GDP 2017 Finland % of GDP	 Total % of GDP 1998–2017 Finland (red), OECD—Average (black)	 Total % of GDP 2017 Finland (red), OECD—Average (black)
Revenue indicator	43.3 Total % of GDP 2017 Finland % of GDP	 Total % of GDP 1998–2017 Finland (red), OECD—Average (black)	 Total % of GDP 2017 Finland (red), OECD—Average (black)
Wedge indicator	42.9 Total % of labor cost 2017 Finland % of labor cost	 Total % of labor cost 2000–2017 Finland (red), OECD—Average (black)	 Total % of labor cost 2017 Finland (red), OECD—Average (black)

OECD Data: Extract Iceland

Populations: 0.31 Millions

Government	Latest	Trend	Ranking
Spending indicator			
Reserves indicator	2832.2 Total SDR millions Q4-2014 Iceland SDR millions	 <p>Total SDR millions Q1-2010–Q4-2014 Iceland (red)</p>	 <p>Total SDR millions Q4-2014 Iceland (red)</p>
Profits indicator	2.8 Total % of GDP 2017 Iceland % of GDP	 <p>Total % of GDP 1998–2017 Iceland (red), OECD—Average (black)</p>	 <p>Total % of GDP 2017 Iceland (red), OECD—Average (black)</p>
Revenue indicator	37.7 Total % of GDP 2017 Iceland % of GDP	 <p>Total % of GDP 1998–2017 Iceland (red), OECD—Average (black)</p>	 <p>Total % of GDP 2017 Iceland (red), OECD—Average (black)</p>
Wedge indicator	33.2 Total % of labor cost 2017 Iceland % of labor cost	 <p>Total % of labor cost 2000–2017 Iceland (red), OECD—Average (black)</p>	 <p>Total % of labor cost 2017 Iceland (red), OECD—Average (black)</p>

Appendix B

55 Years of European Legislation

<http://www.dimiter.eu/Eurlex.html>

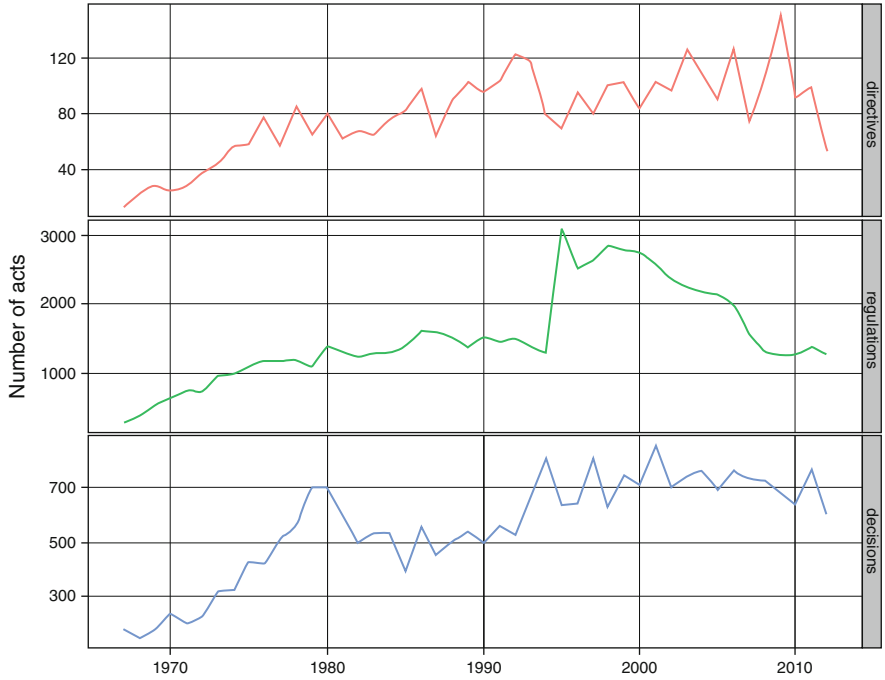
“The European Communities, destined to become the European Union we all know today, were established back in 1957 in Rome. Since, the European Union has adopted more than 100,000 (one hundred thousand) legislative acts. That’s a lot of legislation! This presentation provides a closer look into the evolution of EU legislation over time”. Dimiter Toshkov (2014): “*Research design in political science*”, published by *Palgrave Macmillan*.

Dimiter Toshkov, is a social scientist who studies politics, governance, and public policy. Currently he is a Jean Monnet fellow at the [Robert Schuman Centre for Advanced Studies](#) at the [European University Institute](#) in Florence and Associate Professor at the [Institute of Public Administration](#) at [Leiden University](#) in The Netherlands.

Figure below by Dimiter Toshkov *shows the number of directives, regulations and decisions adopted by the EU from 1967 till 2012*.

He writes: “EU legislation comes in three main forms: *directives (red curve)*, *regulations (Green curve)*, and *decisions (blue curve)*, see curves below. Directives are the most important and most general of the three. There are many important regulations as well, but usually regulations have a more narrow focus and limited application time. Decisions are the least general of the three. Directives are like real laws, and regulations and decisions are like government decrees.

We see that the annual number of legislative acts adopted by the EU has been steadily growing till the mid-1990s, but afterwards the growth has slowed down, and for regulations has been reversed. Nowadays, the EU approves on average 80 directives, 1200 regulations and 700 decisions per year. Still quite a lot! And look at the wild yearly variation in the number of directives adopted after 2000!”



See also latest EU Data: Figures from 2018–2019 on regulatory endeavors (EU Commission):

- Directives 98
- Regulations 1975
- Decisions 2136