

# Towards a New Regionalism in the North

Ole Damsgaard and Kaisa Lähteenmäki-Smith, Nordregio – Nordic Centre for Spatial Development, Stockholm, Sweden

## Nordic paradox or Nordic Dream?

The Nordic Welfare regimes are currently undergoing a period of transformation. Partly driven by globalisation and intensified international competition neo-liberal ideology is gaining ground across the Nordic countries. The roots of this transformation can legitimately be traced to an accompanying change in regional policy where a shift from “regional equality” to “regional competitiveness and innovation” can be seen to have taken place. This change primarily relates to the organisational and administrative levels, where reforms of significance for the whole national governance system – and for the traditional welfare state model – were implemented. Traditionally the regional level in the Nordic Countries has been squeezed between powerful autonomous local authorities and the equally powerful unitary state. As such, a general level of scepticism of the idea of introducing new and empowered regional institutions has predominated.

The authors entertain the possibility of viewing the Nordic area as a possible ‘best practice’ or a ‘benchmark’ for ‘good territorial governance’, in particular relating to the multi-level nature and openness of these governance experiments. Not only is the Nordic area an interesting example of simultaneous inter-governmental co-operation through the *Nordic Council of Ministers* model, overseeing a vital network of cross-border regions, but there are also now a number of processes of sub-national governance gaining ground across the region.

Perhaps the most interesting governance issue relates to the so-called ‘Nordic paradox’, where, in comparative terms, the Nordic countries have been judged to be ‘success stories’ in relation to the issues of competitiveness, innovation capacity and societal balance. The ‘Nordic welfare model’ with its high degree of public intervention, high level of equalisation, universal education, and an administrative model with a high degree of local level autonomy has thus been seen as a source of inspiration for other countries. Yet this Nordic ‘reality’ has increasingly led to disillusionment: the role of the public sector is seen as excessive, while the degree of innovation is seen as being increasingly stymied by the low level of entrepreneurship and the inflexibility of the public sector. Change is called for, but the inherent systemic rigidity of the Nordic welfare model renders this challenging, to say the least.

What may be needed, paraphrasing a recent report from a Finnish philosopher Pekka Himanen, is a ‘new dream’ for the Nordic societies, a model of development in which innovation-based economic growth enables the renewal of the welfare model, in turn allowing all the societal resources to be utilised leading to further growth, thus forming a positive cycle of welfare and innovation

and accommodating a societal model that is both creative and caring.

Part of the discourse relating to the topic at hand can be referred to as ‘regionalism’. This involves viewing the regions as sources of *endogenous* growth, which should increasingly be seen as subjects in their own right, rather than objects of regional policy. In some cases this ‘New Regionalist’ agenda is even perceived as amounting to a paradigmatic shift in the field of regional development. More cautious views would however tend to interpret these moves more as policy-related re-conceptualisations. Be that as it may, there are indications that seem to confirm the idea that the regional level needs to be perceived in a new light. This includes ‘regionalism’ as far as the regional and local levels themselves are seeking to achieve empowerment through a more bottom-up process of mobilisation. The broad functional autonomy of the local level, the strategic and political dominance of central government and the new dynamics of innovation, economic renewal and service provision require new types of policy solutions, which are sought within a wide variety of reform processes. Whether these processes ultimately lead to genuine policy renewal, as opposed to mere window-dressing, thus becomes an issue in need of critical consideration.

## Lessons learned?

The Nordic countries potentially provide interesting case studies of territorial governance and governance renewal. This cannot however be achieved through introspection alone. Rather the renewal capacity of the Nordic countries needs to be placed in a broader international perspective. As such, uncovering national and Nordic specificities is only possible in relation to what lies beneath: there are then many lessons to be learned from European and indeed wider international comparisons.

The time for unquestioned high levels of public intervention and equalisation may be over, even in the Nordic countries, as international policy influences and ideas stemming from New Public Management thinking, including efficiency, effectiveness and result-steering, have gained in influence. At the same time many trends are firmly embedded in the centralist and unitary nature of the governance systems. Sweden is not only the classic example of the interventionist Scandinavian welfare state and ‘*folkhem*’, but is also among the best examples of ‘*agentification*’ in the public sector, which has in many cases led to difficulties in co-ordination and efficiency problems. Finland has often been cited as a good example of a polity in transition from a highly top-down management structure to a programme-based mode, where the private and public sectors interact closely and ‘network governance’

predominates, while at the same time it remains one of the least regionalised territorial governance polities in Europe. Denmark has made a name for itself in respect of its decentralised model of governance, which the OECD has branded *'avant-garde'*, as well as on its adoption of a variety of innovative market-based solutions in the public management realm, e.g. its *'flexicurity'* model. Norway is often cited as one of the best examples of a country where the balance between urban and rural areas, geographical core and periphery is consistently followed through in policy terms. Iceland on the other hand has in recent years been cited as the new *'Nordic miracle'*, due to its economic performance and, in the Nordic context at least, its unusually *'innovative'* approach to taxation issues.

In this light then the question emerges, which type of units (administrative, functional, but also political) are best suited to meet the needs of welfare provision, democratic accountability, growth and territorial cohesion? Potential answers are keenly sought while the emergent responses reflect the historical path-dependency and politico-cultural inheritance found in the Nordic countries.

### Radical reform in Denmark

The most interesting reform process in recent years has been that ongoing in Denmark, where a brand new administrative structure with new regions responsible for regional development and enlarged municipalities has been put in place as of January 2007.

The regional agenda was overridden by considerations of effectiveness in the hospital sector and larger municipalities with at least 30,000 inhabitants were called for. It was argued by proponents of the reform that fewer municipalities and counties were called for in Denmark as maintaining a multiplicity of small bureaucratic units is both inefficient and costly. The number of municipalities was subsequently radically trimmed and the old regions were replaced by five new and larger regions, each with a limited number of tasks, the most important of which were hospital services and regional development or regional industrial policy. In addition, the right to

levy regional taxes was also lost. One of the most controversial aspects of the reform has however been the new equalization system, set up in connection with the structural reform process in order to attempt to maintain the development possibilities of the more peripheral or lagging areas of the country.

This reform has been branded *'avant-garde'* in nature by the OECD, as most of the regional tasks were moved to local or state level, while the region retained only hospital and health care (though these tasks made up 90% of the original regional budget). Historically the Danish tradition of territorial governance has, primarily, been driven by local autonomy, while the notion of a *'service-democracy'* close to the citizens has been sacrosanct. The structural reform adopted and subsequently put forward in contractual form in 2004, and implemented from 2007 onwards, was preceded by a debate where arguments for better efficiency and competitiveness were put forward more strongly than previously.

### Swedish regions on the move

The Swedish reforms have, of late, been developed within the context of the Swedish Committee on Public Sector Responsibilities (*Ansvarskommittén*), which reported its proposals on the 27<sup>th</sup> of February 2007. Structural reform was motivated by three main justifications: (1) re-assembling the state to achieve a territorial rather than sector-driven view of the division of responsibilities; (2) facilitating restructuring in health and medical services and (3) promoting regional growth by adapting regional borders to future local labour market regions. The conclusions were difficult to achieve, as it was soon realised that each of these objectives would in fact entail the drawing up of a rather different map!

The current Conservative government is of the opinion that there should be no *'regions'* at all. The debate has remained centred on the regional level, with Halland in particular reacting strongly to its proposed division (see map). Swedish industry however has reacted positively to the regional proposals, reflecting an under- (> p. 64)



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(p. 61 >) standing within the Swedish business community that growth has a 'regional logic'. In theory, the formal decisions could be taken in December 2009. For constitutional reasons however, the issue could be delayed until after the next elections, i.e. in 2010, with the brand new Swedish regions emerging by 2011.

### **Room for experimentation? Municipal structures and inter-municipal co-operation dominate the Finnish and Norwegian agendas**

In Finland, it is the municipal structure question that has, thus far, dominated the structural reform agenda, though this does impact on regional issues. Moreover, such impacts are likely to be more pronounced in the near future, after the local level structure is disbanded. The Finnish government has throughout the 2005–2007 period, been in the process of preparing the legislation for the new local authority structure, which seeks to address some of the most prominent service provision challenges, though with less attention being paid to the growth agenda and the need to renew structures in order to promote regional competitiveness. The question of structural reform thus soon became one of "how many municipalities" or "how many inhabitants" eventually crystallising into a political debate around the need to either achieve or avoid municipal mergers, depending on the political affiliation of the interested party.

The core of the reform at this stage is the promotion of inter-municipal collaboration in service provision, rather than a drastic reconsideration of the role of the regions *per se*. The merging of municipalities and the accompanying changes that this entails for the service structure are the most visible outcomes of the process, though thus far the reform has stopped short of tackling the underlying regionalisation questions (i.e. the division of responsibilities between central government, regions, local authorities). These issues are however likely to re-appear on the agenda sooner or later now that the basic structural issue in respect of local governance has been settled. In the meantime interesting experiments relating to service provision and inter-municipal co-operation are ongoing on a voluntary basis across the regions.

In Norway a White Paper to the Norwegian Parliament on regional administrative reforms was put forward in December 2006. To the disappointment of those hoping for major reforms in the area of regionalisation however, the White Paper was generally viewed as having limited policy implications for the *status quo*. Instead of major structural reform, more emphasis was placed on the need to strengthen regional partnerships and the prevailing development coalitions as instruments to achieve regional

competitiveness, as was also the case in the other Nordic (and European) countries.

### **Cross-border regionalisation: bottom-up regionalism at its best?**

There is then a certain strengthening of the current towards movement simmering under the glacial surface appearance of the Nordic welfare states. There is however also another aspect to the regionalisation in *Norden* that may be more radical than the cautious and conservative regional reforms hitherto undertaken would lead us to believe. Nordic cross-border co-operation is in fact one of the most advanced examples of its kind internationally.

Regionalisation in the Nordic area has long roots, with the establishment of the Nordic Council in 1951, and the Nordic Council of Ministers in 1971. The sub-national tier has thus been a vital component of this process from an early stage, with the establishment of Nordic cross-border regions, the earliest of which being the Øresund Committee which was established in 1964 and the North Calotte Committee in 1971. While Øresund is an oft-cited example in the international context, it has at times faced the challenge of reconciling national interests and was not for instance included in the main agenda for regionalisation in the Danish national context referred to elsewhere in this paper. The border barriers have also remained in many respects, though active inter-governmental efforts have been pursued in order to dismantle them.

On a lower still territorial tier dynamic and close co-operation across the border between the neighbouring border towns of Tornio in Finland and Haparanda in Sweden has remained ongoing within the context of practical bottom-up co-operation that has gradually evolved into the idea of a merged twin city across the national border: with a vision of a new *EuroCity Haparanda-Tornio*. In the beginning the municipalities concerned mainly co-operated in the culture and educational areas, but co-operation has now been broadened to include a variety of social, environmental and healthcare issues, as well as technical infrastructure (e.g. rescue services and waste management). In 1987 a special co-operative body *Provincia Bothniensis* was set up to further develop this co-operation.

This notion of cross-border co-operation brings Nordic co-operation onto a very concrete tangible level. The main goal of this co-operation is to utilise to the full the possibilities of proximity and to work towards finding solutions to the problems created by border barriers (be they administrative, cultural or linguistic) for individuals, educational establishments, business community and the public sector. Though the Nordic area has had free mobility and a com-

mon labour market since the 1950s, considerable border barriers remain to be overcome and, as such, the Nordic cross-border areas form a kind of living laboratory in which these issues can be tackled.

### Conclusions

The impact of globalisation on the welfare state is not necessarily wholly negative while welfare retrenchment for instance is the consequence of globalisation only to the extent that globalisation results in higher unemployment. As welfare states provide a number of goods valued by employers, helping to foster a better educated and trained workforce, they also contribute to a more equal and less conflictual society, generous social policies can even add to competitiveness. They can also contribute to embedding these policies among the general public and achieving a general consensus on the main objectives of both territorial policy intervention and welfare policies. This 'administering' function however has its downside, such as the conservative approach to policy renewal it promotes and, at times, the self-congratulatory attitudes it instils, making policy renewal not only difficult and contested, but even politically unacceptable.

It is clear that the Nordic welfare states and in particular their central 'guardians' or 'final guarantors' (of welfare) in the form of the central governments have a hard time in loosening their grip on power. While welfare systems rely on the smooth co-ordination of central government and local authority responsibility, new regional dynamics continue to emerge. Faced with the realities of regional growth processes that increasingly seem to favour a decentralised, empowering and enabling dynamic, the local and regional levels are now viewed as highly important. This new found importance is however difficult to immediately translate into a formal menu of administrative and political reform that would allow the local and regional levels to gain sufficient power in real terms and enable them to respond to the discursive shift towards empowerment at the regional level.

Issues relating to welfare provision and territorial cohesion are now seen as major challenges for territorial governance systems across Europe and may ultimately provide a litmus test for the ability of Nordic governments to adjust their territorial governance systems to the newly emerging realities. They also maintain potential interest in the context of emerging 'test beds' for territorial governance, as is indicated by some of the Nordic governance reform processes. This could also be an important avenue for the Nordic countries to contribute to the further integration of Europe, while also maintaining and renewing the relevance of Nordic co-operation. ::

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