

Hege Marie Edvardsen (ed.)

Regional policy in Sweden and Norway

Same but different



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Abstract: Sweden and Norway are apparently two relatively similar countries, which both have adopted the “Scandinavian Welfare State Model”. This implies similarities within the field of regional policy. However, if we look more carefully, there are certain discrepancies in this field. The analyses compares the impacts of the narrow, peripheral oriented regional policy, as well as the broader sector policies where the regional dimension is an integrated, though seldom outspoken, part. A major question is how Sweden’s membership in the EU has changed the impacts of regional policy compared to Norway, which is not a member. It is indicated that this process seems to imply a widening gap between the two countries with regard to national regional policies.

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Preface

The Norwegian research council initiated a research programme on regional development, running from 1998 to 2004 (REGUT). The main objective of the research programme was to generate new knowledge in the field of regional development and policy. As part of the REGUT programme, this project analyses some aspects of the regional policy of Norway and Sweden in a comparative perspective.

The project started in 1999, as a co-operation between The Norwegian Institute for Urban and Regional Research (NIBR), and the Swedish Institute for Growth Policy Studies (ITPS), previously Swedish Institute for Regional Research (SIR).

The report is prepared and edited by Hege Marie Edvardsen, partly based on material prepared by the original research group; Olaf Foss, Steinar Johansen, Mats Johanson and Bo Svensson (especially chapter 4 and 6). Geir Inge Orderud (NIBR) has contributed the appendix. Chapter 2, 3 and 5 are written by Hege Marie Edvardsen.

We acknowledge the effort by Paul Olav Berg to improve the quality and the relevance of the report. He has read and commented on an earlier draft. However, the authors are fully responsible for all remaining errors and weaknesses.

NIBR, august 2004

Ove Langeland
Research Director

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Summary

Hege Marie Edvardsen (ed.)

Regional policy in Sweden and Norway, same but different

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Regional policies may have different goals and impacts in different countries. Norway and Sweden face many of the same challenges in regional policies: In a European context, Norway and Sweden are peripheral areas, with a low population density. Figures from the national Regional Accounts clearly show that the regional disparities in the allocation of production and income in general are rather small. The problems concerning regional policies are of a quite different character: Long distances and a relatively small population on a large area promote market imperfections. The report discusses several other reasons for regional policy; from the goal of preserving settlement throughout the country, to social stability of the welfare states, and underlying ideas of fairness.

Regional policy in Norway and Sweden traditionally defined as a policy favouring peripheral areas. The analysis is not questioning whether a regional policy should be defined in this way, nor does it discuss the term "region" as it is applied in a policy context in the two countries. As a basis for developing regional policies such questions ought to be asked. Our analyses provide an overview of the regional policies, both the narrow peripheral oriented regional policy, and the broader sector policies, where the regional dimension is an integrated part even if the policies may not necessarily be regionally intended in context. The analysis concentrate on the last decades, and the comparison with the Swedish policy for the same period may serve as necessary background information in an ongoing process of forming a new regional policy for the future.

Norwegian regional policy had a different impact than the Swedish immediately after the war; the re-building of the country had top priority. The Swedish regional policy came into being a little later, as an answer to the accelerating migration from the northern parts of the

country. From the 1960's, the prime objective of the regional policies in the two countries has remained more or less unchanged; preservation of the settlement pattern in Norway and regional balance in Sweden. For both countries, the building of the welfare states is found to be the strongest force in counteracting other, centralising market forces.

The project has not generated new data, but synthesizes existing material in a comparative perspective. One intention of the project has been to reveal the probable implications of the Swedish membership in EU, asking whether this may be considered the reason behind an eventual diverging of the paths of regional policies among the two countries. The indicated trend is that both countries have taken steps to move closer to the regional policies of EU, although the trend is somewhat stronger for Sweden than for Norway, especially after 1995. This means that, in spite of the restrictions in the EEA treaty, the gap between Norwegian and Swedish regional policy has widened. The structural funds contribute with a large share of the total Swedish budget for the narrow regional policy. At the same time, other studies have revealed that the Norwegian budget for the narrow regional policy during the last decade has radically declined.

Another policy difference that may prove to be of particular future importance is the differences regarding the investments and use of research and development, ICT and broadband. In these fields it seems that Norway is lagging behind, and especially far behind Sweden. The Swedish expenditure in R&D are the highest of the Nordic countries, meanwhile the Norwegian expenditures are the lowest. At the same time, the State driven broadband roll-out of Sweden may provide a considerable advantage to Swedish businesses and households, especially compared to the Norwegian market-based roll-out, resulting in poorer quality and uncertainties in how far the coverage will go.

When it comes to future perspectives for a regional policy, this will of course depend on the outspoken policy objectives. We have compared two analyses of regional and industrial development in Norway and Sweden respectively. They state that the centralisation forces will be even stronger in the years to come, especially in Sweden. Sweden may also face larger regions. The regional development in Norway will be dependent on the declining activity in the petroleum industry and the regions' ability to find and develop alternatives.

The Norwegian and Swedish periphery has historical differences that may affect their ability to cope with crisis. The younger population and the historical more top-down regional policy can be mentioned as

positive features for the Norwegian periphery, compared to Sweden. Sweden has, on the other hand, advantages compared to Norway in not being a resource-based economy, as Norway to some extent may be considered as. This can be seen when comparing the industrial structure, the investments in Research and Development and the policy for broadband development – all parts of the broad regional policy expected to have particular impact on future development. The latter is an important, but often neglected, part of building a national infrastructure. Another aspect of the peripheral vulnerability can be seen in the composition of industries, and the role of state and local governmental activity; the public government are of more importance to the regions' economy in the northernmost and inland regions; regions regarded as priority areas.

Finally, we present three scenario sketches, with three different perspectives on the regional policy, resulting in quite different outputs in 2020. A determinant factor in our scenarios is also the development within the EU, spanning from strong federalism to strong regionalism. In the “Economies of growth”-scenario, there is no (small, narrow) specific regional policy. Instead the focus is on economic growth for the whole country. In Norway, this growth oriented policy has an enforcing impact to enhance the growth of the larger cities, as well as the growth of the social security system. Sweden is assumed to follow the development within the EU, in this scenario enforcing the centralisation to the central south of the country.

In the second scenario, “The battleground”, the strong federal interests of EU fronts a Norwegian regional oriented policy, where new ideas for improving the conditions in peripheral areas are steadily growing. Sweden succeeds in keeping its share of the EU structural funds at the same high level due to a strong political pressure within the EU.

In “Unique Regions”, an explicit regional policy is led in Norway. The result is a regional specialisation, strengthening already existing industrial clusters. There are traces of convergence in the regional policies of Norway and Sweden, although the mono-industrial structure in the Norwegian regions leave them more vulnerable to changing times than their Swedish counterparts.

Sammendrag

Hege Marie Edvardsen (ed.)

Regionalpolitikk i Sverige og Norge – er det noen forskjell?

NIBR rapport 2004:13

Regionalpolitikk vil ha ulike forutsetninger og ulike mål i de forskjellige land. Norge og Sverige har flere av de samme utfordringene: I en europeisk sammenheng er Norge og Sverige perifere områder, med lav befolkningstetthet. Tall fra de fylkesfordelte nasjonalregnskapene viser at fordelingen av produksjon og inntekt generelt er relativt jevn. De regionalpolitiske problemene er av en annen art: Lange avstander og relativt små befolkninger på store områder fremmer markedsimperfeksjoner. I rapporten drøftes flere andre mulige begrunnelser for en regionalpolitikk; fra bevaring av bosettingsmønsteret til sosial stabilitet i en velferdsstat og underliggende likhetsidealer.

Regionalpolitikk har i Norge og Sverige tradisjonelt vært definert som en politikk som favoriserer perifere områder. Hvorvidt regionalpolitikk bør defineres slik, drøftes ikke her. Normative sider ved regionbegrepet drøftes heller ikke. I utformingen av en ny regionalpolitikk vil dette måtte være viktige avklaringsområder. Til en slik prosess bidrar denne analysen med nødvendig bakgrunnsinformasjon, idet den gjennomgår og sammenligner regionalpolitikken i Norge og Sverige – både den spesifikke smale regionalpolitikken og den brede sektorpolitikken som gjerne har stor (langt større enn den smale) regional betydning, tilsiktet eller ei. Hovedvekten er lagt på de siste tiårene, selv om hele etterkrigstiden behandles.

Norsk regionalpolitikk hadde i etterkrigstiden et ganske annet utgangspunkt enn den svenske, med gjenoppbygging etter krigen som førsteprioritet. Den svenske regionalpolitikken startet opp noe senere, som et svar på den stadig økende fraflyttingen av særlig de nordlige delene av landet. Fra 1960-årene har hovedmålet for den regionale politikken ligget noenlunde fast: Bevaring av bosettingsmønsteret for Norges vedkommende og regional balanse i Sverige. I analysen er

oppbyggingen av velferdsstaten funnet å være den sterkeste kraften når det gjelder å motvirke sentraliserende markedskrefter.

Prosjektet har ikke generert nye data, men søkt å syntetisere eksisterende materiale i en sammenlignende analyse. En hensikt har vært å avdekke om mulige forskjeller i regionalpolitikk kan spores tilbake til Sveriges EU-medlemskap. Hypotesen; at regionalpolitiske mål og virkemidler beveger seg i retning av EUs mål og virkemidler, blir til en viss grad bekreftet, men med tydelige indikasjoner på at Sveriges regionalpolitikk er kommet nærmere EUs enn Norges regionalpolitikk, til tross for føringene som ligger i EØS-avtalen. Dette innebærer at forskjellene mellom Norsk og Svensk regionalpolitikk har økt. Når det gjelder den smale regionalpolitikken kan Sverige trekke veksler på EUs strukturfond. På norsk side er budsjettmidlene i den smale regionalpolitikken drastisk redusert de siste årene.

Når det gjelder framtidige perspektiver for regionalpolitikken, vil dette selvsagt avhenge av de uttalte regionalpolitiske mål. Vi har sammenlignet to analyser av regional næringsutvikling i henholdsvis Norge og Sverige. Det kan se ut til at sentraliseringskreftene vil kunne bli enda sterkere i årene som kommer, særlig i Sverige som også kan oppleve en utvidelse av sine pendlingsregioner. Den regionale utvikling i Norge vil for en stor del avhenge av utviklingen i oljevirkomheten, og de enkelte regioners evne til å finne og utvikle alternativer.

Distriktene i Norge og Sverige har forskjellig utgangspunkt med hensyn til å håndtere kriser: For Norges del kan en yngre befolkning og en mer toppstyrt politikk virke positivt, sammenlignet med svenske distrikter. På den annen side har svensk økonomi et fortrinn i forhold til den norske i og med at den har flere ben å stå på og ikke er så ressursavhengig. Det kan også synes som Sverige har et annet syn på næringsutvikling og bred regionalpolitikk enn Norge; investeringene i FOU er betydelig høyere og bredbåndsutbygging er ansett som et statlig anliggende (på linje med tidligere tiders utbygging av tele-nettet). I Norge forutsettes utbyggingen å være markedsbasert. Dersom dette i deler av landet viser seg vanskelig, forutsettes kommunen å ta ansvar for bredbåndsutbyggingen. Dermed åpnes det for store variasjoner både i dekning og kvalitet, særlig i distriktene.

Et annet aspekt ved distriktenes sårbarhet kan vi se ved nærings sammensetningen og omfanget av offentlig virksomhet: For både Norge og Sverige utgjør offentlig sektor en større del av den regionale økonomien for de nordligste fylkene og for typiske innlandsregioner, enn for landet i gjennomsnitt. Andelene er imidlertid høyest i Norge.

Avslutningsvis presenterer vi tre scenarioskisser, med tre ulike perspektiver på regionalpolitikk, og dertil hørende forskjellig resultat i 2020. Scenarioskissene er tegnet med forskjellig utvikling for EU; med sterkere og svakere overnasjonalitet, og med forskjellig innenlandsk vekt på regionalpolitikk i Norge. ”Economies of growth”-skissen finner vi i kvadranten med et sterkt, overnasjonalt EU og liten vekt på regionalpolitikk i Norsk politikk. Den smale regionalpolitikken er avskaffet. Hovedfokuset er i stedet vekst for landet totalt. I Norge forsterker denne vekstorienterte politikken veksten i de store byene, og veksten i sosiale støtteordninger. Sverige er antatt å følge utviklingen i EU, som i dette scenariet forsterker sentraliseringen i sør-Sverige.

I det andre scenariet, ”The battleground”, utspiller det seg en kamp mellom et sterkt overnasjonalt EU og en sterk, regionalorientert politikk i Norge og Sverige, der nye ideer for utvikling av en regional, distriktsrettet politikk stadig dukker opp. Sverige lykkes i å opprettholde sin andel av EUs strukturfond, takket være et hardt politisk press innen EU.

I ”Unique regions” står de overnasjonale organer i EU svakt, samtidig som det føres en spesifikk regional politikk i Norge. Dette resulterer i regional spesialisering og styrking av eksisterende næringsklynger. Det kan se ut som om norsk og svensk regionalpolitikk er mer på samme spor, men en mer ensidig norsk næringsstruktur gjør de norske regionene mer sårbare for skiftende tider enn de svenske regionene.

1 Introduction

Norway and Sweden are the two “twin countries” of the Scandinavian Peninsula. The countries are, among other things, famous for the “Scandinavian Welfare Model”.

This project is part of the Norwegian Research councils program on regional development, and aims to give answers to questions like:

- What are the main arguments for a regional policy in these two countries? Are there different reasons in Norway and Sweden, and may the reasons for a regional policy vary over time? In that case: Due to what factors? Are the regional policies of Norway and Sweden at a crossroad, or even at different paths?
- What are the aims of the regional policy in Norway and Sweden, and do they differ over time?
- What means are used to achieve the aims? Are the means working in the same direction?
- What kind of impact has the Swedish membership in EU had on the Swedish regional policy?
- What different futures can be seen for the regional policy and regional development of these areas?

The last question is of course far too complex to give sufficient answers. Still, we will draw a few sketch-scenarios, due to some uncertain factors: The development in the European Union, internal development and policies in Norway and Sweden, among others.

The report will be outlined as follows:

First there is a need to define the central terms (part 2). In part 3 we take a closer look at a few policy indicators, measured by available statistics. In Part 4 we discuss the actual regional policy in both Norway and Sweden, and make some comparisons. In part 5 we examine future prospects for regional policy in Norway and Sweden,

and give some rough sketch-scenarios. Part 6 concludes the report by discussing some methodological and theoretical problems related to the study of regional development. The appendix,, written by Geir Inge Orderud, provide a theoretical framework for possible regional policies, with examples from Norwegian policy.

2 Territorial systems

There are several ways of dividing and sub-dividing a nation into regions. A debate on how to do this will invoke different points of view. This chapter provides some background information on regions, and Norwegian and Swedish regions in particular.

2.1 Introduction – administrative and functional regions

Most types of activities in a society are spatially distributed, or are in other words carried out within regions (at some sort of regional level). Several theories try to explain regional differences; how they rise and develop. These have at least one thing in common, and that is the, sometimes undefined, regional level.

Regions are often defined by the following criteria: Homogeneity, functionality and political-administrative purposes.

Homogeneous regions have some main criteria in common: Language, natural resources, cultural heritage etc.

According to Juvkam (2002), one may distinguish between one-element-regions and multi-element-regions. The homogeneity-criterion relates to one, or more selected facilities which the regions have in common. One-element-regions are established on the basis of one common feature or phenomenon, and may be useful in describing the frequency of the particular phenomenon. With Multi-element-regions one may describe a set of factors, which together give the region its specific character. Homogeneous regions are not centred.

Functional regions are often described by diversity and mutual dependence. The basis is found within a certain function or an activity; for instance a regional centre and its surroundings. Although functional regions are not always centred regions; in certain cases the

activity is more widespread than the settlement, like for instance in a village where the production is mainly agricultural.

Juvkam (2002) denotes that in general it is the decline within agriculture that enables growth in the centred regions, due to the nature of agricultural production; whereby growth is a result of more outcomes from each local farm, or an expansion of the field. Manufacture and service industries have been the base of existence for the centred regions.

Organised regions are regional classifications for specific purposes, for example political units, administrative units and planning areas.

Juvkam points out a main divide among the functional regions: Those who are forced together, and regions who has a more freely connection. The first are often organised, administrative regions, where the settlement pattern determines where certain functions are to be taken care of. In principle, other functions can be attended freely, but large distances in both Norway and Sweden leave the inhabitants with little choice in practise.

When studying regional development and policy, the political-administrative regions are commonly used as the unit for the analyses, due to the fact that statistics are produced mainly for the administrative regions.

Within administrative regions, there is an administration and politicians that govern the area. They have certain tasks, for instance to produce services and conduct policies.

Norway and Sweden are divided into 19 and 21 counties and respectively 434 and 289 municipalities. The (Norwegian) division into counties are, according to Teigen (1999), in our translation:

a result of an attempt to find appropriate homogeneous regions, and at the same time see to the fact that the cities and their suburban areas are located in the same county. In other words functional regions are within the same political-administrative borders.

2.2 County- and municipal structure: Through autocracy to Scandinavian welfare states

This chapter is based on NOU (1992:15), also known as the Christiansen-committee. According to the committee, the division of the Norwegian counties is the oldest of the administrative regional units in Norway. The history of the Norwegian counties started with the Danish autocracy in the 1660's. The country was divided into 12 counties, due to the needs of the Danish governance. In 1866 some counties were divided, the total increased to 20. After this there have only been moderate changes, the last in 1972. Today Norway has 19 counties.

The history of the Swedish counties is much the same as the Norwegian: The original structure is from the 17'th century: In 1634 Sweden had 23 counties. There were some minor changes till 1810. In 1810 the number of counties was 24, today the number is 21.

The municipal structure, however, has been subject to greater changes – especially for Sweden:

The local democracy in Sweden can be dated to 1862. Their main subjects were the institution for the relief of the poor, and the public school. As in Norway, the local authorities had to cover their own expenses. The division into municipalities were made due to the parish (not the clerical district, as in Norway), which gave 2500 municipalities, including the cities that were divided out of administrative borders – independent of parish borders. This structure remained unchanged till the first revision in 1952.

From 1862 till 1952 Norway and Sweden had a parallel development in terms of:

- Great changes in the settlement pattern
- Substantial structural development in communication
- Increasing public responsibility in several matters
- A displacement of tasks from central government to local counties and municipal government

The first revision of the municipal structure in Sweden came in 1952, although the changes were only partial: Nor the counties Västerbotton and Norrbotton or the cities were influenced by the reform. Still, the

reform had an effect: More than half of the Swedish population were inhabitants in municipalities with less than 1000 inhabitants. After the reform, this was the case for 0,3 per cent. The number of municipalities had now come down to 1037, which implies a reduction in the number of municipalities by 56 per cent.

In 1961 the Swedish parliament accepted some main principles, set up by a committee. The principles provided guidelines for further revisions of the municipal structure, stating:

- There should be at least 8000 inhabitants in each municipality
- Functional criteria ought to be in focus
- A new reform should involve all municipalities
- The development of a new structure should come through mutual cooperation in new municipality blocks, and be based on voluntariness.

On this background the government in 1963 suggested, 282 municipality blocks. After five years 156 voluntary unions had taken place. The government now decided that the remaining unions had to be forced, and should take place before 1974. The last reform reduced the number of local municipalities with 73 per cent from 1962 to 1974. Today there are 289 municipalities.

When viewing the whole period 1952-1974, we see that Sweden had made substantial changes in the municipal structure; changes which do not have their Norwegian counterpart.

The history of the Norwegian municipalities goes, like in Sweden, back to the establishment of local self-governance in the 19th century: In 1838 Norway had 392 municipalities, mainly following to the parish-borders. These municipalities were, especially with the present communication structure and – means, quite large. A period with divisions followed, both according to the problem in communications and to the growth of the cities. In 1930 the number of municipalities had reached 747. The process had now more or less culminated at the countryside, but continued in the establishment of new municipalities, covering the new cities. In 1957 the number of municipalities was 744.

Still, the cities continued to grow over their borders. A need for a reform of the municipal structure was clear, and a committee was set down, in order to find criteria for reducing the number of municipalities. In 1967 Norway had 454 local municipalities. But this

reduction (by 39 percent) had a different impact in the different part of the country, and for the cities the process could be seen as rather accidental. The reduction process continued till 1974. From 1974-1977 some municipalities were again separated, and from 1978 the structure has, with two exceptions, been stable.

In general: The Norwegian municipality structure has been subject to continuously change. In the beginning from local initiatives, but after 1945 the top-led initiatives at the governmental level have dominated.

The municipal structure of today may, according to the Christiansen-committee, be considered a snapshot in an ongoing process. The committee suggested in 1992 a minimum size of 5000 inhabitants in a municipality. It was not approved by the Norwegian parliament.

If realised though, this would have reduced the number of municipalities with 205 in 1996. Eight years later, in 2003, there are 234 (or 54 per cent) municipalities with less than 5000 inhabitants in Norway. They cover 12,6 per cent of the Norwegian population.

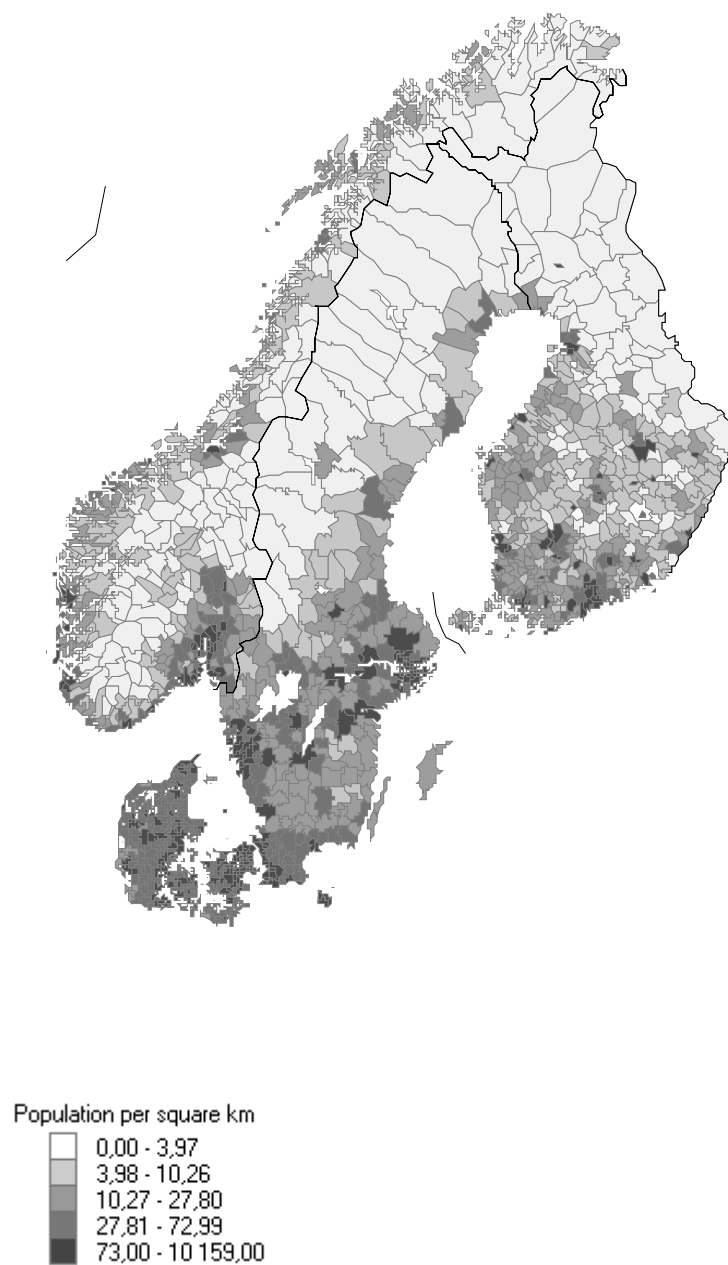
Table 2.1 *Local governments In Norway and Sweden: Structure and population per 1/1 2000*

	Sweden	Norway
Total population	8 861 426	4 478 497
Number of municipalities	289	435
Inh. in the largest municipality	743 704	507 500
Inh. in the smallest municipality	2 746	256
Average population in the municipalities	30 662	10 295
Number of counties	21	19
Inh. in the greatest county	1 803 377	507 500
Inh. in the smallest county	57 428	74 100
Average population in the counties	421 973	235 710

Source: Mønnesland (2002)

As we can see, the Swedish units are all over on a higher level than the Norwegian units, although for both countries there are substantial internal differences.

Figure 2.1 *Population per square km, Nordic countries 2002.*
Source: Statistics across borders 2003



3 Regional policy Indicators

The main difficulty in measuring the impacts of certain policies remain the same, whatever policy and indicator one may find; we don't know what the situation might have been without the specific policy. Yet, we can make assumptions, due to theoretical statements or comparative situations in other regions/countries where the specific policy is not involved. This problem of counter fact will not be discussed in dept here. Still, it is necessary to keep it in mind when interpreting our conclusions.

As we have seen, a major issue underlying regional policy is – in one way or another – to reduce regional differences. At least this has been a central ingredient of Norwegian regional policy. But also in Sweden, although with different words and reasons, improving the regional balances across various socio-economic sections are considered to be of importance.

How can the regional imbalances be traced? What kind of measures can be used, and what are the limitations?

3.1 The regional distribution of the value added

A commonly used measure of regional imbalances is the distribution of the Gross Domestic Product (GDP). As such it is interpreted as a criterion for regions within the EU: A regional GDP per inhabitant lower than 75 per cent of the national average is a criterion to achieve support from the European Union's structural fund, objective 1.

The regional GDP indicators are furthermore often misused and interpreted as a regions' relative importance in the total economy of the nation, thus neglecting the mutual economic regional dependencies. The regional GDP may be a more appropriate indicator in order to analyze the region's ability to provide goods and services

for its citizens. The regional GDP may also help to give a picture of the regional production structure in a nation.

The GVA¹ per employee can be interpreted as an indicator of productivity. To a certain degree it is also possible to reveal comparative advantages of the regions.

GVA is calculated for all industries, included the public sector. The production of the public sector (sum of local and central governmental activities) is assumed to be non-profit. Production can therefore be calculated merely as the total compensation to employees.

Obviously, for some counties the government production is of more importance than for others. The GVA may be divided by category, or type of producer, given an impression of the relative importance of governmental activities in the different counties. Both for Sweden and Norway, public sector has played a major part of the economies of the peripheral counties, especially in the northern parts.

In opposition to this: A large part of the total activities of the central government are located to the capital regions, but still cannot be traced as a major contribution to the total GDP of these regions. Traditionally the capital regions in both Norway and Sweden have had a GDP per employee high above the country average. The figures for 2000 are given in table 1.

In spite of the obvious advantages of the capital regions, we see from the figures that the regional distribution of GVA is rather even, both in Norway and Sweden. There are also available figures for the regional distribution of the disposable income of the households. The disposable income of a household may be interpreted as the household's ability to buy goods and services. It is only for Sweden we can find available figures at county level. Here we clearly see that these figures are even more evenly distributed than the figures from the Regional Accounts.

For Norway the published level are aggregated regions. An earlier analysis suggests, however, that the distribution of the disposable income of households is more evenly distributed than the production figures from the regional GVA (Edvardsen 1999).

¹ The difference between regional GDP and regional GVA is purely methodological. In numbers: The sum of net taxes and FISIM (financial Intermediate Services Indirectly Measured) For more details, see Edvardsen (1998)

Table 3.1 *Regional Gross Domestic Product per capita (RGDP) and disposable income. Index: the whole country, ordinary counties = 100*

Sweden: Län	RGDP	Disposable income	Norway: Fylker	RGDP
Stockholm	139	117	Østfold	77
Uppsala	86	103	Akershus	92
Södermanland	79	100	Oslo/Akershus	151
Östergötland	86	96	Oslo	206
Jönköping	94	93	Hedmark	76
Kronoberg	94	94	Oppland	73
Kalmar	87	92	Buskerud	85
Gotland	79	103	Vestfold	79
Blekinge	93	96	Telemark	81
Skåne	92	99	Aust-Agder	83
Halland	79	101	Vest-Agder	87
Västra Götaland	99	97	Rogaland	103
Värmland	81	87	Hordaland	97
Örebro	85	94	Sogn og Fjordane	92
Västmanland	91	96	Møre og Romsdal	89
Dalarna	86	92	Sør-Trøndelag	90
Gävleborg	87	96	Nord-Trøndelag	76
Västernorrland	95	97	Nordland	78
Jämtland	81	94	Troms	80
Västerbotten	81	87	Finnmark	75
Norrbottn	89	90		
Total	100	100		100

Source: Regional Accounts 2000 (www.ssb.no and www.scb.se)

What is the political impact of these figures? Do they illustrate regional policies in Norway and Sweden as stories of success? Or is it an implication of the welfare state model (is a welfare state possible with large, internal geographical disparity)? What they do not reveal is the composition of the figures; how much of the RGDP is a result of market based activity and how much can be allocated to the public sector?

From certain points of view it might seem strange that GVA is calculated, also as a contribution from the public sector (how can public sector contribute to the creation of values?). In the National Accounts the contribution from the public sector is calculated simply as the sum of wages. An argument for this method is that the wages can be assumed to reflect the alternative market value of the public employees' services.

The role of the public sector in the counties' economy varies, but traditionally the northernmost and inland counties has had the largest

part (GVA from public sector measured as part of the counties total GVA), see chapter 3.5.

In a European perspective the Scandinavian welfare states of Norway and Sweden are in a particular situation. Regional problems here are not comparable to regional problems in the rest of Europe. According to Mønnesland (2001), the specific problem of Norway (and Sweden) is not a structural problem, but a problem of remoteness.

3.2 “Scandinavian periphery”

In density maps of Europe, the label “Scandinavian periphery” is sometimes used on most parts of Norway, Sweden and Finland, illustrating the large, scarcely populated areas covering most of Scandinavia, except Denmark. In table 2 below we see how this picture has remained rather unchanged during the 1990 's.

Table 3.2 *Inhabitants per square kilometre*

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Denmark	119,2	119,4	119,8	120,2	120,6	121	121,9	122,4	122,9	123,3
Greenland	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2
Finland	16,3	16,4	16,5	16,6	16,7	16,7	16,8	16,8	16,9	16,9
Åland	15,9	16,1	16,3	16,4	16,4	16,5	16,5	16,5	16,6	16,8
Iceland	2,5	2,5	2,5	2,5	2,6	2,6	2,6	2,6	2,6	2,7
Norway	13,0	13,0	13,0	13,0	13,0	13,0	13,0	14,0	14,0	15,0
Sweden	20,8	20,9	21	21,2	21,3	21,5	21,5	21,5	21,5	21,5

Source: Nordic Statistical Yearbook 1999, Nordic Council of Ministries.

According to Mønnesland (2001),

(...) the challenges for the regional policy will be of a different kind in countries with great areas and small populations. The Nordic regional policy has been directed towards areas with low population density, long distances to the greater market centre, weak labour markets (...) etc. The aim of the policy has been to slow down the centralising net-migration process, in order to prevent de-population of the remote regions.

Mønnesland continues by concluding that a policy towards remoteness must, in its nature, be a permanent policy, in contrast to the programs of the European Union. Because

(...) the disadvantages of a peripheral location always will be maintained, and there will be a continuously need for firm oriented support if the political goal of stabilising the settlement pattern should be approached

On the other hand, we might see that the degree of remoteness may change over time, with the development of the communication structures.

3.3 ICT and Broadband

Technological development has through history made the world smaller: Distances that used to be insuperable are now within the reach of modern communication structures. The development of new infrastructure may be of great importance for countries like Sweden and Norway, characterised by low population density over rather large areas, and remoteness being the biggest challenge.

Statistics² reveal, as one might presume, that the Nordic countries are far ahead of the rest of the world, in terms of use and development of information and communication technology (ICT) and broadband. However, there are large differences between the Nordic countries, and especially between Norway and Sweden:

- Norwegian enterprises make less use of ICT, in terms of being connected to the internet (of the companies with more than 10 employees, 95% in Sweden and 81% in Norway were connected by the end of 2001). The Swedish enterprises are in front also when it comes to having their own homepage
- Sweden is far ahead of Norway in E-trading
- By May 2003 the broadband coverage (measured as households who had been offered broadband connection) in the Norwegian residential market was 64 per cent³. In Sweden the coverage in the residential market was 65 per cent, but:
- There are differences in home access to internet inside the Nordic countries, in favour of the capital regions. The exception is Sweden, where there were no differences between the Stockholm area and the rest of the country in the frequency of home access to the Internet.

² Nordic Information Society Statistics 2002, Statistics Norway and Rusten (2003) is also used as a source on this subject

³ Source: The White paper on broadband, 2003

- Broadband in Sweden have a higher quality than broadband in Norway: The Swedish version being radically faster than the Norwegian minimum solution, often based on ADSL. This will in turn provide different frames for competition for the enterprises connected in the future. In other word: It is not only the coverage that matters.
- External trade in ICT goods has a much larger share in Sweden than in Norway. In Norway the export of ICT counted for approximately 3 per cent of all exports. This share has been relatively stable. In Sweden, though, the share was 20 per cent in 2000, and fell to 13 per cent in 2001.
- Industry related ICT has a larger share of the total ICT employment in Sweden than in Norway: 30 and 14 per cent, respectively

There is some confusion as to what should be defined as Broadband, resulting in different figures depending on the definition. It is important to be aware of the differences within the broadband quality, as such information reveals differences that otherwise easily can be hidden.

Our main point is to illustrate the differences between Norway and Sweden. Both countries have obvious advantages in developing modern communication structures. The governmental willingness to pay and to provide quality deviates:

- In Sweden, the coverage of (high-quality-) broadband throughout the country is considered a state responsibility (as was the case for both countries in earlier times' building of telecommunications).
- In Norway the broadband roll-out are decided to be market based. There is a political goal that every municipal administration, school and library shall have broadband connection by the end of 2005. But there is uncertainty of where to address the bill. Today there are large price differences on broadband connection, disfavours the most peripheral areas and by that, increasing the costs of businesses located in these areas.

The Norwegian white paper on broadband (September 2003) states, however, that the governmental strategy has been a story of success:

Thus, it may be concluded that the Government's strategy of a market-based rollout has been a success.

There are no obvious contradictions in the next sentence:

Actual connections have lagged behind in the private sector and in parts of the public sector, however, but now appear to be developing more rapidly. Owing to uncertainty regarding technological developments, however, it is still uncertain how large a part of the country the market will eventually cover.

And the conclusion is purely optimistic, with no regards to quality:

It is estimated that coverage in Norway will increase to 85–90 per cent during 2005

In Sweden, the government have granted financial support to the development of the broadband infrastructure; in total 5,25 billions in the period 2000-2005⁴. Still, it is questioned whether this is enough.

The broadband infrastructure may prove to be an indicator on regional possibilities and limitations for growth and development. Especially when it comes to encourage new industries in areas dominated by agriculture, fishing or other industries based on the exploitation of (not to forget the exhaustible) natural resources. As it seems today, Swedish enterprises with peripheral location has comparative advantages to Norwegian enterprises in the periphery.

3.4 Research and development

During the 1990's there have been adduced arguments for the necessity of research and development, particularly to improve a country's, or a region's, relative competitiveness.

Knowledge, it has been argued, can be considered a public good: Once it exists, there are no limitations to the use of it; in principle we may all be "free riders". The free market will not produce public goods, at least not in optimal quanta, due to the fact that the total benefit of the society are higher than the producer's total profit. This, of course, being the main argument for public intervention, either in providing, or subsidising the production of, public goods.

Gundersen (2002) lists several arguments for focusing on regional units in studying research and development investments:

1. Globalisation undermines the national states; the competition will be between the regions. Or as NOU (2000:22) put it: "*Regional*

⁴ According to Rusten (2003)

units will presumably be of more importance as a frame for economic growth and development”

2. According to theories of clusters, learning and innovation are eased by location. Gundersen argues that the production of knowledge is local, meanwhile the accumulated result; new technology, contributes to a globalisation of the economy. In other words: Globalisation and regionalisation reinforce each other.
3. Many of the important factors for R&D productions are found in the local surroundings of the R&D unit. These factors may be characteristics of the functional region, for instance: Population, the population's level of education, the industry structure, and the regional centrality in accordance with important institutions and/or markets.

Gundersen has studied the Norwegian R&D investigation of 1997 and 1999, and regionalised the results to the 90 Norwegian economic regions. The analyses has focused on variations between regions, aiming to expose reasons behind regional differences in what is defined as respectively the R&D - and innovation intensity.

The regional differences in R&D and innovation intensity are substantial in Norway. Gundersen found that R&D -intensive regions often have a central location, are densely populated, have a growing population with whom quite many have a university education within natural sciences and/or technology.

There were found strong correlations between these factors though, revealing three as the most important: Industrial connection, size structure and the educational level of the population. Two thirds of the regional variation in R&D intensity where explained by these factors.

As for the regional innovation intensity the analyses is more complex, although many of the same factors have an important impact here as well, clearly illustrating the close connection between R&D and innovation.

In sum, there are great regional differences in both R&D intensity and innovation intensity in Norway. The model for explaining these differences had to take into account several characteristics of the functional region, in particular the population's level of education.

In a European perspective, the labour force of both Sweden and Norway are considered well-educated. Hanell, Aalbu and Neubauer (2002) name this the major explanation to the high level of Nordic competitiveness, as they put it:

In international comparative terms the Nordic countries do indeed stand out. The share of persons of working-age who have attained a tertiary level education generally lies between one and nine percentage points higher in the Nordic countries than the OECD country mean. Compared with EU countries this gap is, according to Eurostat estimates, even larger.

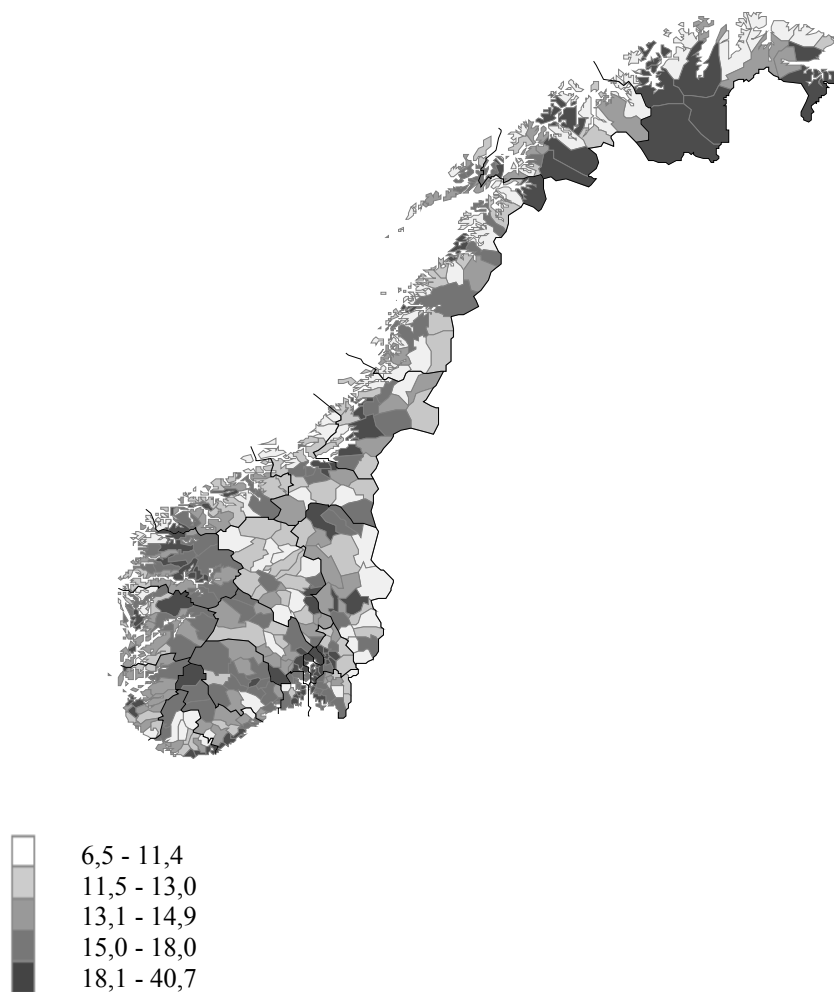
Depending on how it is measured, the share of the working-age population (aged 25-64 years) having high education is just below 30 percent in Norway and Sweden.

High public expenditure, measured as percentage of GDP, is assumed to be an explanation to the high enrolment rates in the Nordic countries.

Hanell, Aalbu and Neubauer also find that in general, the most peripheral areas have the lowest levels of high educated labour. In Sweden these regions are Småland and the entire northern part. In Norway, the regions are Nordland, Troms and Møre og Romsdal.

The Norwegian share of the population with high education is illustrated in Figure 3.1. The map shows Finnmark as an outstanding region; the northernmost region, and at the same time a region with a high share of the population with high education. This is most likely due to the regional policy, giving reduction of the study loans for people living in Finnmark.

Figure 3.1 *Share of the population (over the age of 16) with high education, 2000*



Source: Statistics Norway

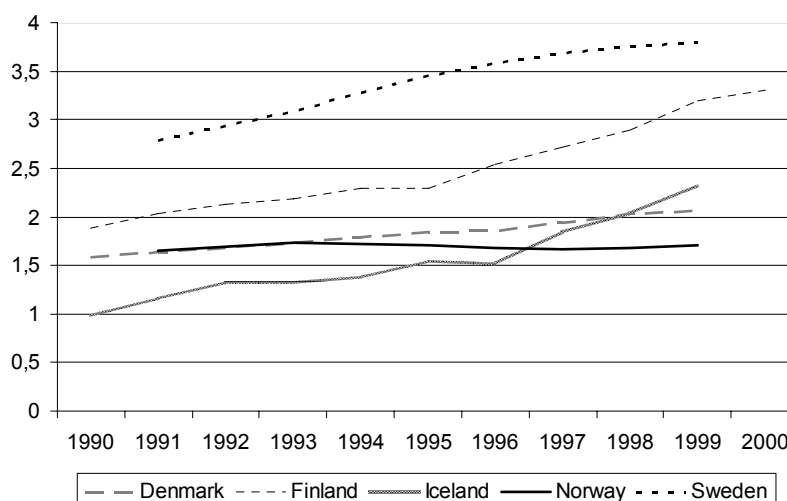
Although we find that both Sweden and Norway have well-educated labour, there are deviations when it comes to which sector that benefits from this: The knowledge intensity (the use of high educated labour) is found to be lower for the Norwegian manufacturing industry, than for the EU-average⁵. Norwegian manufacturing industries are also below the EU-average when it comes to R&D-

⁵ Hagen et al (2002)

intensity. This does not imply that Norwegian manufacturing industries invest less in R&D than their fellow Europeans, but merely reflects the fact that Norway has a different composition of industries, with a higher proportion of industries that are not as R&D intensive. R&D activities require high educated labour, and in Norway a large share of the best educated labour find work in the public sector and in private services (Hagen et.al 2002).

Finally, Figure 3.2 presents the R&D investments measured as share of GDP for the Nordic countries from 1990 to 2000. For Norway as for Sweden, statistics are only available every second year. The intermediate years are in the figure simply calculated as the average of the years before and after. In the figure we see that from 1997, Norway had the lowest R&D investments of all the Nordic countries. Sweden has throughout the period had the highest share of R&D, measured in per cent of the total GDP.

Figure 3.2 *R&D expenditure in per cent of GDP. Nordic countries.*



Source: *Statistics across borders 2003*

3.5 Regional policy: The role of the state

Besides providing infrastructure and other direct investments, local and central authorities play a major part in the regional economy in various ways. This chapter is based on Berg (2003), Mønnesland

(2002), and statistics from the Regional Accounts in both Norway and Sweden.

Berg concentrates his analyses on the “wide” regional policy (in Norway), here defined as

(...) how the state through the sector policy in various ways influences the framework for economic activity, welfare and living conditions within local communities and regions of various size. Such an influence is taking place, whatever it is intentional or not.

He argues that the political influence on sector policy over a period of time has weakened. The reasons for this may be divided in two categories: 1. Reorganising and privatising of state institutions and 2: A stronger belief in market solutions.

Both arguments fit well with the so-called New Public Management (NPM). According to *Effektutvalget* (NOU 2004:2), a core value in the NPM thinking is a genuine scepticism towards politicians and political interference. NPM has its base in economic theory, focusing on efficiency, and means to achieve efficiency⁶:

- Definitions of goals and evaluation of means as important input in budgeting processes
- Partnerships and contracting in governance
- Privatising/commercialising of governmental institutions
- Service to the customer/users in terms of increased flexibility and location
- Focus on professional capacity rather than representativity
- Decentralising, in general

In sum: We see a shift from a political orientation and ideological arguments in the policy process, to a market orientation and political withdrawal. It can almost be seen as a pendulum movement: On the one hand a regional policy aiming to prevent the disadvantages of long distances and the market imperfections that come as a result of the distances (peripheral location), combined with small markets (low population density). On the other hand we have the market solution, not surprisingly often leading to centralisation: A result of NPM,

⁶ The list does not intend to be exhaustive, on the contrary; we have selected ideas with specific relevance to our subject.

according to *Effektutvalget*, is a strengthening of the (central and peripheral) centres, and a less even distribution of public welfare.

As mentioned earlier, public services constitute a significant part of the national economies, especially in welfare states like Norway and Sweden. It is also calculated as a significant contributor to the total Gross Value Added (chapter 3.1). The public share of the GVA in the counties varies, as can be seen in Table 3.3. As we may conclude from the figures; they confirm Mønnesland's general statement:

(...) public service constitutes the highest share in those regions being regarded as priority areas in the nationally defined regional policy.

Table 3.3 *Distribution of the Gross Value Added from central and local governments. Source: Statistics Norway and SCB⁷*

Norway: Fylker	Public sector	Sweden: Län	Public sector
Østfold	22,5 %	Stockholm	16,1 %
Akershus	19,1 %	Uppsala	24,6 %
Oslo	16,3 %	Södermanland	22,3 %
Hedmark	26,3 %	Östergötland	20,2 %
Oppland	25,5 %	Jönköping	18,6 %
Buskerud	21,3 %	Kronoberg	17,7 %
Vestfold	22,6 %	Kalmar	18,9 %
Telemark	23,4 %	Gotland	30,3 %
Aust-Agder	23,4 %	Blekinge	21,3 %
Vest-Agder	22,3 %	Skåne	21,0 %
Rogaland	17,7 %	Halland	20,2 %
Hordaland	21,7 %	Västra Götaland	17,7 %
Sogn og Fjordane	22,8 %	Värmland	22,7 %
Møre og Romsdal	20,9 %	Örebro	21,7 %
Sør-Trøndelag	25,1 %	Västmanland	18,0 %
Nord-Trøndelag	28,8 %	Dalarna	21,4 %
Nordland	30,2 %	Gävleborg	21,3 %
Troms	36,6 %	Västernorrland	21,4 %
Finmark	37,4 %	Jämtland	26,0 %
		Västerbotten	26,4 %
		Norrbottn	26,6 %

“Public sector” is, in the table, defined as the sum of central- and local government. We will take a closer look at the local government, and the difference in their responsibilities in our two countries. The activity levels of the local governments are earlier found to be approximately 20 per cent of GDP in Sweden, and approximately 15 per cent in Norway. Still we see from Table 3.3 that the public sector

⁷ The Swedish figures also include the figures for the Non-profit institutions serving households.

in the peripheral counties is of most importance in Norway. An explanation to this may lie in the Norwegian tradition of more top-down governing.

In Table 3.4 we find an overview of the local governmental income by sources, in 1999, as given in Mønnesland (2002):

Table 3.4 *Local governmental income by sources. 1999.*
Mønnesland (2002)

Income (in per cent)	Sweden (1999)	Norway (1999)
Local tax income	60	40
Tax on firms and properties		1
State transfers through the income system	16	23
Mainly earmarked transfers outside the income system	5	17
Consumer shares	18	14
Other income	1	5
Sum total income	100	100

The local tax income is of greater importance for Swedish municipalities than for Norwegian, although this is the main source of income for municipalities in both countries. On the other hand, we see that the Norwegian municipalities have a larger share (than the Swedish) of their total income as earmarked transfers; confirming the impression of top-down governing.

A reason for the difference in the local tax income may be found in the differences in legal rights for the municipalities to decide their own taxation level.

We also see that consumer payment for the services (in the table listed as “consumer shares”) play an important role as an income source, only limited by legal restrictions.

When it comes to the earmarked transfers, Mønnesland states:

Norway is outstanding regarding the amount of earmarked grants outside the ordinary income transfer system. This may be interpreted as an effect of the more strict state control towards the local governments compared to the other Nordic countries. (...) The growth of earmarked grants has been criticised, and it is now a claimed target to incorporate more of these transfers into

the ordinary income system based on frame grants where the local governments are free to decide on how to use the money.

When it comes to comparisons, Mønnesland finds:

- A similarity: Separate grants and/or re-distribution schemes are set up to address income inequalities as well as inequalities in expenditure needs.
- A high degree of income equalisation will normally be of benefit to the periphery, which in the Nordic context will say that they are in accordance with the regional policy priorities.
- Sweden has a much more periphery oriented indicator system (in the Norwegian system, the periphery oriented indicators are really marginal in the needs re-distribution scheme), but this fact may be counter-acted by the explicit periphery-oriented schemes in the Norwegian Scheme.

Berg (2003) found centralising changes in the municipal transfer system in Norway. An important question is whether this policy is intended, as part of the regional policy, or simply an unintended result of a more NPM-oriented policy.

He concludes that, regarding the changes in the municipal transfer system:

These changes (...) are not officially regarded as part of the current regional development policy. Nevertheless, the changes have a regional dimension, because the effect is a reduction of transfers to peripheral municipalities.

4 Regional Policy in Norway and Sweden

Do the regional policies of Norway and Sweden have a different ideological foundations? Can we trace diverging ideas and arguments for a regional policy, and may these differences lead to different regional policies?

Has the Norwegian regional policy to a larger degree than the Swedish counterpart focused on residential arguments, nation building and the elimination of inequalities? To a certain degree, it may seem so, at least for the first half of the pre-war period. But in the second half of the period, this may have changed:

A primary goal in the new Norwegian regional policy is growth in the whole country. According to Berg (2002), the Swedish primary goal for the new policy for regional development also covers the broad regional policy: The aim is well functioning and sustainable local labour market regions with a good service level in all parts of the country. Berg argues that there is no coincidence that the reference to a good service level is excluded in the Norwegian formulation. Furthermore, he adds, there are long traditions in Norway to limit the perspective and not include the broad regional policy when the goals for the regional policy are to be decided. Berg finds this to be in opposition to the Swedish approach.

The development of the Swedish and Norwegian regional policies will be further discussed in this chapter. But first we will sum up Orderuds discussion of alternative arguments for a regional policy, as outlined in the appendix.

4.1 Arguments and policies

In the appendix Orderud has discussed different rationales and arguments for a regional policy. In the Neo-classical perspective, market-imperfections are given as the only reason for governmental intervention. The traditional Neo-classical perspective can be questioned in several ways; from opposing the initial assumptions of rational behaviour, to presenting an entirely different way of regarding economics. Orderud has illustrated the latter by the Structural-agency approach, where other than economic principles justify governmental intervention.

The last chapter also points out other important aspects as reasons for conducting a regional policy; the social aspect, the feeling of belonging and the human rights. Strange as it may seem, Orderud has found that it is only the elderly population that may have some rights that can be addressed to a place of living.

The policy limitations and arguments in international treaties will be further discussed in this chapter. It may seem, though, that the economics' neo-classical perspective is the main ruler in economic organisations, emphasizing economic effectiveness, the best use of resources and economic growth. The last recommendations of OECD to the Norwegian government (8/3-2004) may serve as an example: On regional policy, the executives of OECD only mentioned the agriculture policy at the press-conference. They recommended Norway to find alternative ways of eventually supporting the regions; a neutral support in terms of industry is considered a better use of the total resources, and is assumed to enhance economic growth.

However, agriculture is not covered by the EEA treaty, and Norway may therefore act more freely in this field than when it comes to supporting several other industries.

On the other hand, the EEA treaty may also serve as an excuse for not leading a strong regional policy. As demonstrated by Effektutvalget (NOU 2004:2), Norway is far from exploiting all the possibilities in the regional policy within the EEA treaty.

In this section we will compare aims and measures for regional policies in the two countries. The comparison focuses on differences and similarities in aims and measures between the two countries, as well as on how the chosen measures correspond to the aims in each country. In addition, we compare to what extent regional policies are institutionalised in the two countries. We look at the institutions

themselves, as well as at the degree to which regional policy is integrated as part of sector policies.

4.2 Regional Policy in a Narrow and Broad Sense?

The term 'policy' refers to governmental activities in a broad sense. These can be subsidies, taxes and other policy measures, or they can be public administration and public production of goods and services. The term Regional refers to something territorial or spatial at any scale. Here, we focus on applying the term to parts of territorial states. Regional policy can, in this sense, be defined as government activities that have a certain spatial dimension.

Such a broad definition might, however, cause misunderstandings since it can be argued that all government activities have spatial implications. A narrower definition is therefore needed, but is not easily arrived at as it will always cause dispute among both academics and practitioners. At one end of the scale, there are policies that are directed towards people or industries in certain less prosperous areas (usually the peripheries), which by definition classify as regional policy. At the other end, there are several policies that can be assumed to have small, or insignificant, regional implications. These can be excluded from the definition without hesitation. Between these two extremes, however, there are several types of policies with regional intentions and/or implications. These range from sectoral measures where peripheral aims are important, to sectoral measures where such aims are unimportant, but where the impacts might be significant. The intentions and/or the effects of the policies can, in other words, be used for defining regional policies, although choices made can always be subject to criticism. The former type of regional policy is often dubbed narrow, the latter broad, regional policy. What should be included in the analysis of the broader type of regional policy varies between contexts and should therefore be an empirical question.

Compared to many other countries, both Swedish and Norwegian governments have taken a rather active role in societal development. The Scandinavian Welfare State Model is the term used for this active state, where distribution of wealth in many cases has been more important than efficiently allocating resources via the market.

Norway and Sweden are both spacious countries with a limited number of inhabitants. This means that population densities are

extremely low outside the urban areas. Welfare policies are important for living conditions. This applies particularly to peripheral areas, where small populations have ruled out market solutions to service provision problems. Therefore, the regional impacts of welfare state policies have been huge compared to the impacts of the more narrowly defined regional policy. The growth of the welfare state was perhaps – from a regional point of view - the most balancing factor in post-war Scandinavia, especially from the 1970s. In many regions and municipalities the public sector has become the most important employer, and from an economic point of view, almost like a base industry (Foss 1996).

With the completion of the welfare state construction, and more recently its declining tendencies, other public activities have been located in the peripheries in order to secure employment there, even though sectoral preferences as well as a more efficient use of resources would imply other, more central, locations of these activities.

More indirectly, public transfers are also important for preserving the settlement pattern. Public transfers can in principle be directed more or less explicitly to activities or people located in certain parts of the country. If the transfers are explicitly and intentionally directed towards the periphery in a sense that similar activities, or people, outside the peripheries do not receive the support, we talk about a peripheral policy. A similar effect can be deduced without giving priority to certain regions, if the subsidies are directed towards activities that are specific for, or over-represented in, the peripheries. This will, however, not be regarded as a peripheral policy per se.

By adding policy measures with regional intentions and effects together, we get a picture of the total importance of the public sector for regional development. The obvious assumption is that in countries with a large public sector, like in Sweden and Norway⁸, regional policies defined broadly are of major importance for regional development in the peripheries. This applies especially to the parts of the countries where there are little other (private) activities, or where the importance of other (private) activities is declining.

The principal difference between the two kinds of policies with regional implications is that the ‘narrow’ regional policy has as its

⁸ The public sector measured in terms of employment is large in both countries. In terms of public expenditure as a share of GDP, Sweden has a large public sector compared to other countries, while the share is somewhat more moderate in Norway.

primary purpose to compensate for problems and difficulties that are consequences of the regions' geographical positions. The purpose of the 'broad' regional policy has – at least explicitly - nothing to do with regional problems, even if it will have regional implications. The 'narrow' regional policy can be seen as a form of 'reaction policy' – a policy that is demanded or required to solve regional problems. The 'broad' regional policy can instead be seen from the supply side – a policy that is demanded, but where the supply is independent of special regional problems or geographical positions. The differences between the two parts of regional policy can be illustrated - in form of examples - as in the following table.

Table 4.1 *A schematic view of the difference between the 'broad' and 'narrow' regional policies. Some examples*

'Broad' regional policy	'Narrow' regional policy
Infrastructure	Localisation grants
Agricultural policy	Agricultural policy in specific regions
Labour market policy	Grants to sparsely populated areas
Communication policy	Employment grants
Education	Transport grants
Defence	Reduced pay-roll taxes
General welfare policy	Other grants
Other index regulated expenditures	

The amount of money spent on the broad regional policies is many times higher than the money spent on regional policies in the narrow sense. It has been estimated that the 'narrow' regional policies only represent a few percent of the amount of public expenditures that is predestined to the 'broader' regional policy, with respect to the distribution in the Government's budget. This implies that even the impacts of the broad regional policies on regional development probably are many times greater than the impacts of the narrow policies. Any serious attempt at analysing regional policy and its effects must therefore take into consideration regional policy in the broader sense, despite the criticism that any delimitation of what belongs, or not, might provoke.

4.2.1 Regional policies in Norway

As implied above, the meaning of the term 'Regional policy' varies among countries as well as among different private and public bodies

within the same country. Moreover, the meaning is developing in time, according to changes in problem definitions and ideologies and corresponding shifts in political foci. In Norway the term has been applied to top-down socio-economic development policies for specific regions, as well as to nationwide policies for inter-regional balance or equality purposes. It has also denoted – although to a varying degree – systems of physical planning, or efforts to integrate economic and physical development planning, for large and small regions; often with a mix of top-down and bottom-up approaches. The term has been employed to denote rather narrow approaches as well as broader concepts of policies with assumed regional development impacts.

In this specific project the term 'regional policy' is mainly taken to denote national policies with the purpose and/or effect to influence aspects of inter-regional relations and development, while intra-regional and physical planning aspects are left out. However, the perspective encompasses regional policies in the rather broad sense of the concept (cf. above).

In Norway, specific regional policies were first explicitly formulated in the post-war years, and appeared as a special field of national politics in the 1950s. The challenge of rebuilding and repopulating Northern-Norway in the wake of Germany's "scorched earth policy", and subsequent deportation of a large part of the northern population during the war years, led to the establishment of the "Northern Norway Development Programme" and a scheme for funding capital subventions of industries, infrastructure investments etc. in this part of the country. Another development fund had been erected to support industrial development especially in geographical areas with high unemployment caused by a weak industrial basis. In 1961 the different funds were merged into "The Regional Development Fund" (DU), aiming at increasing opportunities for permanent employment in industrially weak regions, regardless of geographical location. A geographical area of operation (target area) was appointed on the basis of relevant criteria of "economic weakness", and later revised several times according to actual development and policy considerations. In 1993, the DU and some other public industrial funds were converted into "The state Industrial and Regional Fund" (SND).

Alongside the institutionalisation of regional policies through the support scheme of DU, the Labour government also during the 1960s engaged in direct industrial policies, i.e. by continuing the erection of state-owned manufacturing plants in rural areas, which had started in the late 1940s and culminated during the 1950s, and also launched other measures to promote industrialisation in specific locations. This

policy was inspired by imported ideas of "growth-poles" and "economic base", and theories of industrial location behaviour, in a historical context of fast industrial restructuring and growth. Area planning efforts in the period was apparently supported by the so-called "central place theory", and a concept of "decentralised centralisation" was introduced to indicate that the development of networks or hierarchies of central places/centres could be efficiently influenced politically.

Except for the area planning aspects, explicit regional policies in most of the preceding forty years period have been restricted to direct (firm- and enterprise-oriented) or indirect (local government-oriented) industrial policy measures. The incentives were mainly directed towards production, i.e. stimulation of investment, in order to overcome regional differences in labour market situations and transport costs, and thereby enable peripheral/rural areas to keep up with the economic development in more central parts of the country. This "productivist" approach in explicit regional policy continued to dominate, and was even further emphasised during the post-keynesian and post-planned-economy periods following the early 1970s, and especially in the context of economic liberalisation and a more market-oriented policy regime emerging during the 1980s and 1990s. The measures gradually became somewhat more indirect and neutral with regard to industries, more oriented towards "soft" investments and promotion of knowledge and innovation, and more directed towards entrepreneurial support, but essentially the emphasis on industrial development was preserved (Foss og Selstad 1997, Mønnesland 1997).

The official main objective of regional policies, however, was from the 1960s on gradually reformulated to be the preservation of the overall pattern of population settlement, and especially during the 1970s and 1980s even more explicit ambitions of inter-regional equality of welfare and living-conditions were formulated. However, as long as the actual policy measures mainly remained directed towards production units rather than towards individuals and households, i.e. towards influencing spaces of production rather than places of living, we may assume that the policy rested on the idea of a certain causal chain, implying a positive relationship between the immediate effects of "productivist" policies and supposedly critical determining factors regarding individual- and household location behaviour.

Actual regional development in the broad sense can hardly be explained by regional policy in the narrow sense, and the relative

influence of such policy measures to a large extent escapes evaluation and may never be ascertained. Moreover, evaluations in this field tend to limit their focus to the most immediate effects, avoiding the complex causal route from immediate effects to criteria of overall goal attainment. Hence, limited knowledge exists on the effectiveness of the narrow regional policy in the broader regional policy perspective, namely in terms of its relation to the stated overall policy objectives. This has led to a gradual recognition of the necessity to acknowledge regional impacts of the interaction of measures across a wide spectre of policy sectors, and the need of policy coordination among sectors and levels of government as part of regional policy. In the later years the concepts of a "narrow" and a "broad" regional policy approach have been launched to indicate the rather limited scope and ambitions of traditional regional policies. The "broad" regional policy concept in principle comprises all national policies with assumed differential effects across the territory, and provides a more plausible perspective on the relation between "regional policies" and actual regional development, as indicated below.

The Norwegian regional policy ideas and emphasises since the middle of the 1940s can be summarised as follows (Foss og Selstad 1997):

- 1945-60: Rebuilding – especially the northern counties, modernisation theory, emphasis on exogenous factors, trade theory/economic base, Keynesianism
- 1960-75: Planning optimism, localisation theory, central-place theory, diffusion theory, economic base, Keynesianism, establishment of "growth-poles" based on clusters of key industries. Infrastructure and welfare-state development. Strong emphasis on the spatial dimension (territorial planning) and institutionalisation of regional policies.
- 1975-85: Ideas of self-reliance and self-development emerged. From top-down to bottom-up. Regional planning for industrial attraction. Mobilisation of regional resources. Emerging focus on the service sector and entrepreneurship in regional development. "Completion" and decentralisation of the welfare-state, municipality expansion by central-state financing. The end of central planning optimism, and emerging deregulation and market-orientation.
- 1985-95: Growing emphasis on endogenous growth factors and theories. Farewell to Keynesianism. Focus on knowledge and learning and the stimulation of entrepreneurship. Growing regionalist thinking and new ideas of regional industrial

agglomeration ("industrial districts", Porter-type "clustering", flexible specialisation). Priority on national economic growth and emerging neo-liberalism.

- 1995- : Emphasis on periphery-oriented welfare- and development problems and "thinning-out" socially oriented policies, in combination with EU-inspired "regional development programmes" and ESDP-inspired approaches (regional systems of cooperating centres with planned regional divisions of labour), regionalism, regional competition policies, knowledge and innovation policies. Emphasis on "new" endogenous growth theories and the importance of local/regional (institutional) capabilities.

Actual development and policy effects

The last forty years - i.e. the period of explicit regional policy - have seen a decline of the traditional goods-producing sectors as a direct source of income for the population. The mining and manufacturing industries have recorded a fall in the number of employed from the mid 1970s. Measured by person-hours, these industries' use of labour power has been steadily declining from the middle of the 1960s. Primary sector employment fell rapidly all through the period, fastest during the 1960s. Even in typical rural areas, «rural» industries have gradually been reduced to a marginal position. The number of employed in the public sector was more than tripled in the period, however, and the public sector's share of total national employment grew from less than 13 percent to almost one third. The sector contributed around 85 percent of the total net employment growth in the period. Other industries, not including public sector activity (private services among others), recorded substantial employment growth in the period, but the increase in person-hours was insignificant except for a brief culminating period around 1986-87. The work-force of the public sector expanded considerably faster than the work-force of the private sector in all decades after 1960. Moreover, whereas the territorial pattern of growth in public services favoured the less central, rural areas, the overall growth of private services overwhelmingly favoured the central and urbanised areas.

Major national welfare reforms, especially during the 1960s and 1970s, were carried through by local (municipal and county) governments. The central government initiated municipal reforms in order to utilise local government in the efforts to implement national welfare policies. Because the municipalities were made into basic units of a national system of planning, implementation and

management, municipal administrative and service capacity had to be strongly expanded in each separate unit. The number of municipalities therefore became a key factor in determining the size and territorial distribution of institutions, infrastructure and employment. As a consequence the number of people employed by local government grew by more than 325 percent in the years 1962-1992.

The extremely low population densities in most rural areas leave the public sector almost without competition with regard to the provision of many kinds of services. During the preceding decades the expansion of local public service sectors and general local government activity was a key factor in the development of the municipal centres, which enabled the transition of rural employment from "traditional" to "modern" occupations in the wake of industrial change, based on a regionally rather dispersed pattern of small and medium sized urban settlements throughout the country. The building of the welfare state dramatically reduced territorial disparities in employment and the supply of welfare services in less than a couple of decades. By the double effort of expanding and decentralising educational opportunities, and at the same time supplying the necessary job opportunities especially in peripheral and rural areas, the public sector even contributed to a general rise and territorial equalisation of educational levels.

Being «territorial organisations», the structure, functions and performance of local government and the municipalities have developed into the most important instruments of regional and rural policy. The three principal factors of change, namely increasing population mobility, substantial central place expansion, and the formation of steadily widening integrated regions around centres of different sizes, were all mainly fuelled by the fulfilment of general political nation-building ambitions and the implementation of far-reaching equality-based welfare state programmes. They had the effects of completing and strengthening the bottom and lower levels of the system of central places, notably the municipal and partly the regional centres, implying a certain degree of local and regional population centralisation. Rural/low density settlements, and local employment and welfare in rural/low density areas, grew increasingly dependent on commuting by the spatially integrating effects of the spread of modern infrastructure and means of communication, and a strong «community of fate» emerged between the rural peripheries and the small and medium-sized urban settlements of rural areas.

These aspects of the regional system of production, welfare and settlements render regional development critically dependent on the

level and performance of a multiplicity of public sectors and policies. Changes in the size, structure and activity of the public sectors come into wider effects through the general broad classes of activity the different sectors are involved in, namely i) the provision of the legal framework of economic transaction (regulations), ii) the production of goods and services, iii) the purchase of goods and services, and iv) the redistribution of income. The net effect of the activities on federal government income and expenditure is the crucial entity of governmental financial policy. In the light of present and prospective policy changes and public sector structural reform it is perhaps surprising that no systematic study of territorial and rural effects have been ventured⁹, taking into account the specific features of policy and public sector change, as well as our full knowledge of mediating mechanisms (Foss 1996).

The effects of policy measures within regional policy in the more narrow sense are a matter of scientific dispute. Effect-studies demonstrate that the methodological problems are severe. Going back to the 1970s, some studies seem to show that manufacturing employment to a certain degree was redistributed in the favour of the periphery in spite of the periphery's unfavourable industrial mix. Other studies maintain, however, that this redistribution was the effect of spontaneous deconcentration forces, and not so much of regional policy. The period also, as mentioned above, was one of extensive public sector expansion at the regional level, as part of i.a. national welfare policies, influencing the infrastructure and other conditions of local/regional economic development. During the 1980s centralisation recommenced, industrially as well as demographically, and some of the dynamism of the 1970s vanished.

In the last period – from the middle of the 1980s – the key question has been about the ability to restructure and adjust to meet the requirements of emerging new economic, political and competitive environments. The "old" regional policies were manufacturing-oriented and had contributed (at best) to the creation and preservation of a number of manufacturing towns in the periphery. The transition to service-orientation came slowly in regional policy, and evaluations show that the traditional industries continued to dominate peripheral economies (except for the fast and decentralised growth in the public-municipal sectors) even in the general "service era", and despite certain regional policy efforts to promote the development of private services. Even if regional policy to some degree failed (in relation to ambitions) in its restructuring efforts, some studies seem to show that

⁹ That is until now; the NOU 2004:2, being the sole exception

general effects on job-creation have been considerable during the 1980s. Other studies maintained that the job-creation ability of narrow regional policies has been constantly falling since the "golden age" of regional policy in the first post-war decades (Foss og Selstad 1997, Grimsrud et al 1993).

As for the last decade, including the period of formal and most active EU-adaptation policies, much is still to be learned about the effects of narrow as well as broad regional policies. Redefinitions of regional development problems as well as of policies are under way, and the question is how Norwegian authorities are able to – and intend to – utilize the special interface of national political traditions and the formally more loose relations to EU regional political initiatives and rules.

Implications of EU-adjustment on regional policies.

The focus in this paper is on differences between Norway and Sweden with regard to regional policy (aims and measures) and regional policy effects, especially in the light of implications of the two countries' formal and actual relationships with the EU. Norway is not a formal member of the EU, but economically the integration is complete as the rules and forces of the European Single Market came into effect in the case of Norway with the EEA treaty in 1994. The implications of this are threefold:

Specific regional policies at the national level generally have to be in accordance with EU competition policy, i.e. the general rule that support for private firms should not negatively influence competition between countries within the EEA, unless the measure is mandated by specific paragraphs in the treaty.

The selection of regions qualifying for regional policy support, and the types (investment or operating support) and levels of support, have to be in accordance with the criteria stated in the specific paragraph on regional policy support.

Economic development, economic policy and the general economic-political "climate" will gradually come to reflect the rules and actual forces of the developing competitive context of the European Single Market, also influencing a wide spectre of specific sector policies in a broad regional policy context.

An indirect – fourth – effect is Norway's exclusion from participation in EU's own "regional policy", namely the federal transfer programmes called the Structural Funds, which is generally applicable to EU member states only. Among the main regionally specified

programmes of the Structural Funds (four programmes), especially "objective 6" – targeted at regions with low population density – would have been applicable to large parts of Norway in the case of membership.

Of greatest relevance to regional development in Norway as a non-member, will probably be the general long-term impacts of the EEA-rules as well as of full economic integration in the European Single Market, on regional policy in the broader sense. In this respect Norway is expected to be exposed in the same ways, and much to the same degrees, as other EEA-countries, including the EU member states, like Sweden. However, differences may nevertheless occur as a consequence of i.a. variation in national regional structures, industrial structures, general economic conditions and policy responses, and due to differences in access to modifying EU-regional policies. On the other hand, important policy approaches promoted by organisations like the EU, has a tendency to "rub off" and come to effect as nationally adjusted "policy-copies" in a wider area, and Norway is traditionally very open to this kind of policy import (cf. i.a. the Norwegian "regional development programmes", with an emphasis on regional economic growth and competition policy, regionalism, regional public-private partnerships etc.). Moreover, several EU policy initiatives (like the ESDP approach and the INTERREG initiative) are intended to affect the wider cooperation area, and are already possible to trace in Norwegian politics.

The more specific – or narrow – Norwegian regional policy has so far been explicitly exposed to EU-/EEA-rules in limited ways. Some reductions in support levels have been made - differentially according to "target zone" and type of enterprise. The special regionally differentiated payroll tax (the Norwegian parallel to transport aid) was in conflict with EU/EEA rules and had to be transformed into an acceptable arrangement. Other areas of conflict, and probable subsequent adjustments, may be expected. We will shortly revisit the dispute on the differentiated payroll tax:

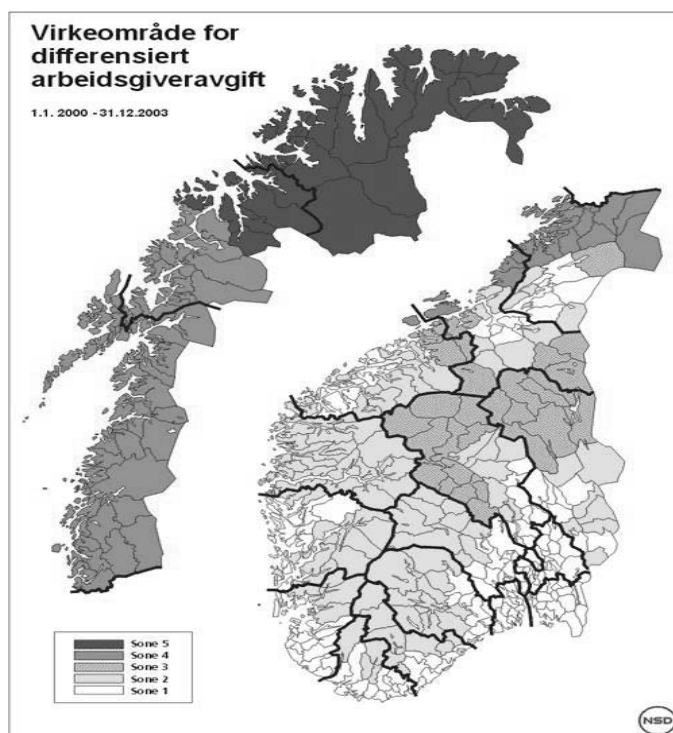
Like in Sweden, Norway had the regionally differentiated payroll tax as an integrated part of the regional policy. In Norway, the history goes back to 1975. Differentiated payroll tax was introduced as a mean to stimulate the employment in the peripheral areas. As such, it had great accuracy and gradually became the most important mean in the Norwegian regional policy (NOU 2004:2). It had also the advantage of being easy to administer.

In the beginning the taxes in central areas were increased, to match the support in the peripheral areas. The idea was to increase the demand for labour, and thereby decrease the migration flow to central areas. The factor cost on labour where set lower in the periphery than in central districts. By doing this one would also increase the demand for labour in labour intensive service production.

Since the beginning in the 1970's, Norway has been divided into several zones for differentiated payroll tax. Population density has been a main criterion for putting up the different zones, giving the lowest payroll tax to the most peripheral areas. The latest version (valid to December 2003) can be seen figure 5.1.

Zone 1: 14,1% (full tax), zone 2: 10,6%, zone 3: 6,4%, zone 4:5,1% and 0 % (total exemption)

Figure 4.1 *Zone map for the Norwegian differentiated labour poll tax*



Source: The Norwegian Ministry of Local Government and Regional Development

The differentiated payroll tax has been a specific Nordic idea; a means to improve the disadvantages of a peripheral location. In European context this were considered to be state subsidies, and therefore a hinder for the free competition¹⁰. When Sweden entered the union in 1995 a change in the system for differentiated payroll tax had to be made: They were allowed to continue on so called "de minimis" conditions.

As for Norway, there has been a dispute on this point, which settled in favour of the ESA by the EFTA court in 1999. By the end of 2003 the differentiated labour payroll tax scheme was re-judged, and "de minimis" conditions were to rule in Norway as well. This implies that only the northernmost counties were allowed to keep the lowest rate (total exemption). There is a transition period for the abolishment of the system in the other regions, going to 2007.

On the calculation of the value of having a differentiated payroll tax, Hanell, Aalbu and Neubauer (2002) states:

The costs of reduced tax revenues are difficult to calculate, as substantial negative spin-off effects will occur when taxes increase. Provided such effects are not taken into consideration, the value of the tax relief is about six times that of direct and indirect business development measures under the specific regional policy budget

However, the main restrictions are probably of a more theoretical nature, namely in terms of limitations posed by EU-/EEA-rules, and their potential effects, on future policy-making in the regional policy field. In this respect, however, Norwegian political development has to be considered in a wider context of "globalisation policies" where Norway traditionally has exposed a rather adaptive attitude towards international initiatives and rules, even in cases where no formal obligations existed, as exemplified by the growing emphasis on deregulation and decentralisation, innovation policies, regional innovation systems, learning and knowledge, regional competition strategies, networks and partnerships etc.

¹⁰ We find it interesting though, ex ante, that a Norwegian report (ECON 2004) concludes that the European competition in the area which used to have the lowest payroll tax rates, is almost negligible.

4.2.2 Regional policies in Sweden

One of the central ingredients in the Swedish regional policy and official rhetoric is the concept of ‘regional balance’. The problem with this concept is, however, that it has – and can be – defined in numerous ways. There is also a contradiction – more or less arbitrary – between growth and regional balance or between growth and distribution. The official opinion is that the purpose of the policy is to minimise regional imbalances but not at the cost of national growth. Instead, the consequences of the regional policy will result in a more harmonised and sustainable national growth – regional policy will not only reduce regional imbalances but also stimulate growth and reduce bottlenecks in the economy. The purposes of the regional policy in Sweden is twofold – to reduce the negative impacts of the market forces and to give people possibilities to live where they want to live, even at the expense of rising public expenditures. The Swedish long-term study from 1955 had, by the way, the title *Balanserad expansion* (Balanced expansion). During the past decades the focus has changed from regional balance and regional policy towards economic growth and regional development policy. This is also more in line with the EU policy and can be seen as an adjustment of the EU regional policy.

Lagging regions and industrial policy

During the 1950s and 1960s, it was, however, not the increasing imbalances as an effect of the expansion that was in focus. Instead, it was the contraction and structural transformation in differing regions with a growing out-migration as one result – especially in the Northern parts of Sweden – that was the centre of attention. In fact, this has been the case - more or less implicitly - since the end of the 19th century synonymous with the ‘Norrland problem’ when the Northern parts of Sweden, and then especially Norrlands interior, was seen as a Swedish colony that should be modernised by in-migration and infrastructure and then also integrated with other parts of Sweden (Sörlin, 1988). It was not, however, until the beginning of the 1950s that the Swedish government and parliament experienced that an active localisation policy was needed in order to create opportunities for new jobs and enterprises (SOU 1951:6). However, these incentives mostly consisted of information and guidance (Lorendahl, 1974).

It was not until the 1960s that the modern regional policy was introduced and then explicitly called “localisation policy” or ‘regional development policy’, as it first was called. The term ‘regional policy’ was explicitly introduced in the Government Bill 1970:75. During the 1960s, the industrial districts in the Southern part of Sweden –

including the Stockholm region – experienced a shortage of labour at the same time as there was a surplus of labour in the Northern parts. A combination of a solidarity wage policy and an active labour market policy intensified a transfer of labour from the low productive branches to the high productive ones. This policy is intimately associated with the Swedish trade union economists Gösta Rehn and Rudolf Meidner - the Rehn/Meidner-model, where upward pressure on wage levels in the least productive firms would cause them to go to the wall, while at the same time wage increases in the productive firms would be restrained. For this policy to succeed, a precondition was that it had to be possible for labour to shift swiftly and simply out of low-productivity and into high-productivity firms. Because these firms were not evenly distributed regionally the consequence was great geographical mobility and population redistribution during the 1960s – a decade when the industrial migration pattern still dominated (see e.g. Bengtsson & Johansson, 1994).

This transfer of labour should thus stimulate the economic growth – at least at national level. One problem was that the transfer of labour to the expanding areas – despite an active labour market policy – was not fast enough and that new industrial jobs should be created in the out-migration areas in the Northern Sweden as an alternative to the redistribution of people.

The aid for localisation in the Northern parts of the country can instead be seen as contradictory to the active labour market policy and the aim was to increase the employment in the out-migration areas. The regional policy was not favoured by the LO, the industrial and financial world, all of whom persistently supported the active labour market policy (Lorendahl, 1974). ‘Balanced contraction’ was perhaps a more relevant concept than ‘balanced expansion’. Employment increase – or hampered decrease - has also been the primary aim for the regional policy up to 1998/99 when the policy definitely changed direction.

The meaning of ‘balanced contraction’ was thus that dramatic changes in the population distribution should be avoided and that large out-migration should be hampered (Axelsson et al, 1999). The idea behind this policy was, among other things, that there was a time lag in the development with respect to different regions in Sweden. The problem was, thus, that some regions were lagging in the transformation process, especially with regard to industrial development. The policy was, more or less explicitly, inspired by the theories of economic dualism and stages of economic growth consisting of sectors and regions in different development phases – it was some form of

modernisation or industrialisation policy that was recommended. Related to the localisation policy was an increased public (state) involvement in the manufacturing sector (Henning, 1974; Hallin & Lindström, 1998).

In the beginning of the 1970s, the concept 'localisation policy' was replaced by the concept 'regional policy' (SOU 1970:3). Even this new policy had many similarities and was perhaps also inspired by the theories that were in fashion with regard to the recommendations for development in the 'Third World' (the stage theories and the theories of economic dualism, where different regions are supposed to be at different stages of development, theories that are associated with the names as Rostow and Lewis).

Structural problems, county planning and the public sector

In the beginning of the 1970s – 1972 – new ingredients were introduced in the Swedish regional policy. In Sverigeplanen (The Swedish Plan), the regional policy was extended to including even the central public sector. This was a shift from a growth-oriented industrial policy, to a policy oriented towards distributing and transferring public expenditures. Better infrastructure, accessibility and relocation of public authorities were means that should result in a more equal distribution of growth and employment opportunities, even if it was at expense of the growth in the big city areas. Instead of seeing the metropolitan areas as 'driving forces' with regard to the national growth, they were seen as bottlenecks and inoptimal from the point of view of many policy makers and planners. Numerous branches of government services were relocated into towns in the assisted areas, which were supposed to act as 'growth poles' in these areas, and in the long run stimulate the national economic growth (Governmental Bill 1972:111).

The rise of the public sector stimulated also the entrance of women on the labour market. The female labour force participation increased sharply during the 1970s – a lot of new jobs were created and a more female-friendly labour market was established. Education, health and care were central ingredients in this process and as well as the greater importance of the 'broad' regional policy. In the middle of 1960s the public sector employed 16 percent of the labour force – ten years later the corresponding figure was 26 percent and in the middle of the 1980s more than one third - 34 percent – was employed in the public sector. It was during this period that the local and regional parts of the public sector were developed and consequently increased both absolutely and relatively. The expansion of the public sector was,

thus, a regionally equalising factor and one of the results was a slow-down of long-distance migration in Sweden both from traditional out-migration areas and in-migration ones (see e.g. Bengtsson & Johansson, 1994, 1995). The rise of the female labour force participation started, however, before the expansion of the childcare sector. With some exaggeration it could be said that it was the rise in the female labour force participation that resulted in an expansion of the childcare sector, which then was reinforced by this latter process.

Another aim of the regional policy after 1972 was that the creation of 'growth poles' should hamper the inter-regional migration and the concentration to the metropolitan areas and instead stimulate the intra-regional migration toward these centres. In other words, the intra-regional balance was de-prioritised at the expense of the inter-regional balance. If the localisation policy – localisation of industries to lagging regions - was inspired of the stage theories, at least implicit, it can be said that the policy during the 1970s was inspired of the 'growth pole theories'. A 'growth pole' can be defined as "centres from which centrifugal forces emanate and to which centripetal forces are attracted" (Perroux, 1950). In a more explicit regional context it means "a set of economic elements concentrated in a geographical space, among which certain links exist which sustains growth (Rothwell & Zegveld, 1985). The concept of innovation was a central ingredient with regard to 'growth poles' or 'growth centres' and can encompass – among other things – imports, imitation, adaptation, development, and diffusion of new technology. This implies that every region has 'innovative centres' and 'growth poles', unless they are not completely isolated (see e.g. Johansson, 1996).

The 1970s has been characterised as the crescendo of the Swedish planning system where the focus was changed from national economic growth to redistribution of jobs and employment opportunities. A central ingredient in this process was a strong confidence in the county planning that expanded fast during this decade. The Swedish cities and municipalities were also classified in four categories. This hierarchy consisted of metropolitan areas (Stockholm, Gothenburg and Malmö), alternatives to the big city areas, regional growth centres and service centres in sparsely populated areas (Gorpe, 2000).

One ingredient in the 'growth pole' policy of the 1970s was out-localisation of public authorities from Stockholm to other parts of the country. During 1970s 10 000 public jobs and 43 public governmental authorities were out-localised from Stockholm to 16 different cities in other parts of Sweden. Many of these new jobs were, however, not a consequence of a redistribution of people as the majority stayed in

Stockholm. Instead, it was an effect of new job opportunities in those 16 cities. In any way, the result was a more regionally equal distribution of the public governmental authorities. This policy was – at least partly - a consequence of an increased confidence in central planning as a driving force in the regional development. A lot of regional plans were also introduced during the 1970s.

The concept of ‘regional balance’ was a fundamental part in the county planning. Among the ingredients here were more or less constant population shares. The regions should have approximately same population shares at various times and an important indicator of regional imbalances was in this case net migration flows. A consequence of this reasoning was that the regions should be developed at a rate that doesn’t result in high regional unemployment and out-migration. ‘Regional balance’ was thus also another word for regional and local equilibrium between supply and demand of labour (Axelsson, et.al., 1999).

Accessibility was another key word with regard to ‘regional balance’. By this means that people should have same access to work, service and a good quality of life wherever they lived in the country. This formulation has then been a continuous statement in the Swedish regional policy at least up to the middle of the 1990s. More curious was that ‘regional balance’ existed as long as the population development followed the intentions of the county planning (Axelsson, et.al., 1999).

During the economic recession of the 1970s, new ingredients were necessary to cope with the structural industrial problems that hit some regions very hard. Short-term selective measures were introduced to solve especially the labour market problems in the hardest hit regions and areas, which resulted in a closer connection between the regional and the labour market policies. In the middle of 1970s, the integration of the regional and labour market policy was also explicitly introduced when the regional policy even included some employment creating measures (1976). The labour market policy had thus regional implications as a consequence of the structural problems that had regional dimensions. Especially regions where steel industry, textile industry and shipyards were overrepresented went through deep employment crises. In addition to this, agriculture and forestry underwent extensive structural change in the 1960s and 1970s. Both the regional and the labour market policy can be seen as a reaction on the structural problems in the Swedish economy and instead of being pro-active it was defensive. In a historical perspective it is obvious that there was a goal conflict between solving problems in the short or

in the long run. Goal conflicts of differing types have, by the way, been a continuous ingredient in the Swedish regional policy at least since the crises of 1970s.

This closer connection between regional and labour market policy was also a sign of a change towards a 'broader' regional policy even if the labour market policy in fact still was a response of labour market and employment crisis in various parts of the country. The crisis during the mid-1970s was in fact more a structural crisis than an ordinary recession and a general stimulation policy reinforced also the inflation tendencies that existed in the Swedish economy. The Keynesian policy was also in an increasingly degree replaced by the revival of a policy based on the neo-classical economic theory.

The 'broad' regional policy explicitly introduced

These policies, which focused on employment creating measures, continued up to the middle of the 1980s when the good times in the Swedish economy eroded some of the relevance of this direct employment creating policy. Instead, the focus was more on training and upgrading the labour force and thus on development of the human capital – 'technical centres' were established and small regional 'universities' and colleges were grounded and growing. A central ingredient in this policy was that human capital was considered to be a localisation factor for new firms in the knowledge-based sectors. In the regional policy report of 1984 (SOU 1984:74) and then in following the regional bill (Government Bill 1984/85:115) the 'broad' regional policy was explicit introduced and the sector policy became a mean in the Swedish regional policy. It was obvious that the implications of the sector policies had stronger effects on the regional policy than the regional policy in the 'narrow' sense. Investments in infrastructure and post-secondary education became means in the regional policy in the sense that it should benefit not only the problematic regions – instead these means should stimulate growth in the whole country. The regional policy was also – according to the Government Bill – seemed as a means to get rid of the crisis in the Swedish economy (Government Bill 1984/85:115).

The 'broad' regional policy grew, thus, in importance with a coordination of the sector policy as an instrument for regional development. Especially in the field of higher education, as mentioned above, the small regional 'universities' and colleges had great impact of the localisation of higher education and then also effects on the long-distance migration of younger people and regional development. The spin-off effects on the surrounding industries and firms are,

however, more uncertain. Instead of creating a lot of new jobs in the knowledge-based industries it stimulated out-migration of highly educated people as a consequence of shortage of relevant jobs. It was the expanding public sector that still was the dominant employer of highly educated people (see e.g. Bengtsson & Johansson, 1994, 1995).

During the 1980s, reduced pay-roll taxes were introduced in some regions in Northern Sweden. The primary motives for this policy were compensating for long distances and stimulating labour intensive production in peripheral areas. This would give the private sector incentives for substituting capital with labour. In the end, this policy was supposed to result in a larger demand for labour and also a shift towards more labour-intensive activities and then especially service oriented activities. The scope and effects of this policy is, however, not unambiguous. The short-term effects on employment seem to have been positive but the transformation process and renewal might have been hampered. The transformation in direction towards service production was – perhaps – stimulated but it was in that case the ‘lower’ segment of the service sector that seems to have taken most advantage of this process (Johansson, Olsson & Svensson, 1999). This was perhaps more an effect reinforced by the existing branch structure than of absence of dynamics and willingness to renewal. The impact was, nevertheless, a permanence of labour-intensive activities in the support areas. Even in this case there is, thus, a goal conflict between transformation and renewal on the one side and job creation on the other.

EU-membership and the crisis of the 1990s

During the 1990s, it can be said that the Swedish regional policy changed as a consequence of the three different factors – the labour market crisis of the 1990s, the EU-membership and a new view on the driving forces behind regional and national economic growth (Government Bill 2001/02:4).

From the early 1990s on, Sweden has been through the worst labour market crisis since the great depression of the 1930s. This crisis lasted at least up to the second half of the decade. Relocation decisions of large employers and closures were common, especially in small to medium size towns where manufacturing industry held strong positions (Hanell, Aalbu & Neubauer, 2002). However, every region experienced high unemployment – even the metropolitan areas – and the regional problems were even more fragmented than before. The mismatch on the labour market increased – when the economy was better off by the end of the decade, the labour market mismatch

became increasingly a regional mismatch. Although the demand for labour was rising, there was a surplus of labour in certain parts of the country. This phenomenon was both intra- and inter-regional and it seemed as if high structural and long-term unemployment had come to stay. As a consequence of the crisis of the 1990s, one of the primary aims of the regional policy in Sweden was to stimulate cohesion between the differing regions in the country and to create development preconditions in every region in order to stimulate national growth. A 'traditional' redistribute policy according to the policies of the 1970s and 1980s was not any longer possible as a consequence of the cut-downs in public spending resulting in an employment decrease in the public sector in all of the Swedish regions. Here it is obvious that there has been a harmonisation with the EU's regional policy, which is more focused on general measures than on the selective measures that in many cases are not neutral according to the free market rules. Instead of the 'traditional' regional policy where redistribution, grants and subventions were central ingredients, a more growth-oriented policy were introduced – a policy that was more national than regional (Hallin & Lindström, 1998).

The Swedish regional policy started thus to change directions already before Sweden joined the Union. The restrictions on what sorts of policies that was possible without conflicting the EU free market rules and policies became more and more obvious. This resulted in a narrowing of the Swedish regional policy towards the EU regional policy. Already the Governmental Bill of 1993/94 acknowledged that regional policy should be regarded as a part of a national growth oriented policy (see also Nilsson 1993). This shift in policy became even more obvious in the regional bill of 1998, where the point of departure is a regional industrial policy where the differing regions' specific characteristics are pronounced as bases for the policy and where the 'regional growth agreements' are of strategic importance. The regional policy in its traditional form has now been substituted by a growth oriented national policy based on the differing regions own preconditions and advantages – a policy where sustainable economic growth was in focus.

When Sweden became a member of the European Union in 1995, the preconditions for an independent Swedish regional policy were changed. This development was, however, not quite new – instead there has been a gradually integration with the regional policy of the EU both before and after the assignment of the EEA agreement (Persson, 1994, Hallin and Lindström, 1998). After joining the Union, one of the most concrete results for regional policy was that Sweden now could get access to the Structural Funds and then especially – at

the regional level – the formerly Objective 2, 5b and 6. The purpose of Objective 2 was revitalising old industrial regions that experienced deindustrialisation and retardation. Objective 5b was – on the other side – oriented towards developing rural areas. All these three objectives had regional impacts both as in a renewal and preservation sense. Objective 6 was a quite new objective created especially for the sparsely populated areas in Sweden and Finland. In 2002, the EU contribution to Swedish narrow regional policy was 30% of the total budget (Hanell, Aalbu and Neubauer, 2002)

The amount of money spent on different objectives with regional implications can be seen in Table 5.2.

Table 4.2 *Structural funds by funding in Sweden, 1995 – 1999. Million Euro.*

Area/programme	EU funding	National public funding	Private funding	Total
Objective 2				
<i>Blekinge</i>	15.00	33.11	37.70	85.81
<i>Norra Norrlandskusten</i>	6.90	15.87	8.03	30.80
<i>Fyrstads</i>	24.00	56.00	65.50	145.50
<i>Bergslagen</i>	67.00	150.90	103.50	321.40
<i>Ångermanlandskusten</i>	18.00	29.45	42.00	89.45
Objective 5b				
<i>Skärgården</i>	7.15	16.48	6.67	30.31
<i>Västra Sverige</i>	30.66	60.63	28.82	120.10
<i>Sydöstra Sverige</i>	42.90	89.11	67.65	199.70
<i>Västerbotten7Daralna/Gävleborg</i>	11.24	26.02	12.82	50.08
<i>Gotland</i>	11.24	26.02	12,82	50.08
Objective 6	252.0	236.9	146.1	635.0

Source: Aalbu, Hallin and Mariussen, 1999

With regard to Objective 2, five ‘old’ industrial areas were involved – *Blekinge*, *Norra Norrlandskusten*, *Fyrstads*, *Bergslagen* and *Ångermanlandskusten*. Most resources were localised to *Bergslagen* – the Swedish rust belt characterised by big factories in the raw-material based industries – and a lot of the resources were localised to large-scale programmes oriented towards R&D and human resource development. In the two northern areas business infrastructure programmes were relatively more prioritised (Aalbu, Hallin & Mariussen, 1999).

The most obvious harmonisation of the Swedish regional policy with the EU policy, beside this, is probably the ‘regional growth agreements’ – today the ‘regional growth programmes’ - where the focus is more on growth aspects than on regional ones. These

contracts are not even restricted to the traditional regional problem areas – instead all regions in Sweden have the same possibilities to participate in the process on more or less same preconditions. The point of departure for the differing projects is to develop the ‘unique’ characteristics in every region and then as a consequence starting up a self-generated developing process. Prestige words with regard to these contracts are e.g. partnership, growth potentials, bottom-up, and participation. A strategy of regional partnerships will be developed, where official and private actors co-operate and where the private sector’s involvement has high priority.

The ‘regional growth agreements’ indicate, thus, a shift from a regional policy to a regionally focused growth policy that is not so discriminating with respect to competition as the ‘traditional’ regional policy. This is also obvious in the Governmental Bill on regional policy, where the regions’ different prerequisites are underlined as preconditions for a regional development that will have positive effects on the development of the whole nation. “Regional policy” has also been substituted by the concept “regional development policy”, where the aim is to stimulate well functioning and sustainable local labour markets in all parts of the country. At the same time, Sweden is considered to be a region in the international division of labour and production.

The Swedish regional policy since the middle of the 1960s can be summarised as follows:

- 1965-1972: Localisation policy (industrialisation and ‘modernisation’ of peripheral areas), inter-regional balance, mostly information and guidance
- 1972-1976: Central place policy where regional planning is a central ingredient, inter-regional balance
- 1976-1985: Employment policy – regional mobilisation of jobs, integration of local labour markets, intra-regional balance (integration of regional and labour market policy)
- 1985-1994: Upgrading of human capital, regional competence development, inter-regional balance
- 1994 ->: EU-adjustment, structural funds, regional growth policy, regional development policy, inter-regional cohesion

4.3 Regional policies in Norway and Sweden – a comparative approach

Despite the obvious similarities of regional policies in Sweden and Norway, which are dealt with throughout this paper, there are also interesting differences. The first one concerns the establishment of regional policy and the urgency of regional problems in respective country. Regional policy as an explicitly defined field of policy came into being at least a decade earlier in Norway than in Sweden. It also seems that the underlying regional problems were more urgent in Norway, very much as a consequence of German occupation during World War II and the deportation of population particularly in the northernmost parts of the country. Also in Sweden, regional policy was, and still is, concerned mainly with northern - particularly inland - parts of the country. It came into being as a response to growing out-migration from certain areas during structural economic change. If we accept the idea that regional problems were more acute in Norway, one might wonder if the measures taken were also more powerful than in the Swedish case, a notion that surfaces in the Swedish regional policy debate every now and then. Likewise, Norwegian politicians and other actors occasionally claim Norwegian supremacy at the regional policy area (Johansson, 2002).

If we remain with the perceived problem and the purposes of regional policy, differences are more at the margin from the 1960s onwards. Norway's prime objective has since then been the preservation of the settlement pattern, while Swedish regional policy has been preoccupied with the preservation of regional balance. While it is obvious what a settlement pattern is (although the aim is not easily to operationalise), it is far more uncertain how the concept of regional balance should be understood, which has also permeated the Swedish regional policy debate. In Norway focus has been very much on production units, or production spaces, by direct (firm- and enterprise-oriented) and indirect (local government-oriented) industrial policy. Swedish regional policy has had a less distinct identity than its Norwegian equivalent. It has until recently been closely tied to labour market policy, earlier as measures geared at creating employment, in later days more focused on upgrading of the labour force and development of human capital.

Despite somewhat different motives and ideas behind regional policy in the two countries, measures were, at least at a brief glance more similar than different. Both engaged in localisation policies aimed at promoting a more equal distribution of both industrial and public

investment. If we look at regional policy in the narrow sense, similarities seem stronger than differences. Table 5.3 compares some of the properties of regional policies in the two countries.

Table 4.3 *A schematic comparison between regional policy in Norway and Sweden*

	Norway	Sweden
Key problem	Post-War situation – regional unbalance (re-population and re-construction) Unbalanced migration	(lack of...) Structural change Unbalanced migration
Key problem	Earlier: Resource management – national economic growth. Equal welfare and living conditions Now: Preserve settlement pattern	Earlier: Limit regional unbalances. Compensate market forces. Equal living conditions. Now: Economic growth
Measures (narrow regional policy)	Firm oriented: Investment grants Interest subsidies Development grants (investment) Employment subsidies Transport subsidies Reduced pay-roll tax Local government oriented: Reimbursement of hydro-power incomes Development support Industrial funds Rural development funds Individual oriented (labour force): Reduction of study loans	Firm oriented: Localisation aid Development grants (investments) Employment subsidies Rural investment aid Transport subsidies Reduced pay-roll tax Regional administration: Project support – regional development Other: Loan to investment trusts
Measures (broad regional policy)	Earlier: Public services (broadly), state owned (manuf.) industry Now: Sectoral policies incl. military, education policies	Earlier: Public services (broadly), state authority localisation Now: Higher education. Reduced military expenditure
Current tendencies	”Soft” investments, Knowledge/competence improvement, innovation. Bottom-up approach upgraded Partnership principle adopted Regional development programmes	Graduate decline, reduced number of measures Economic growth in focus Programme orientation (not project) Bottom-up approach upgraded Partnership principle adopted Regional growth agreements (programmes)
Effects	Unclear, but anticipated effects (better with than without)	Largely unknown: national growth vs. regional redistribution (equalisation)

While the benefits of efforts aimed at affecting industrial investment patterns were always debated, there has been a strong consensus that the importance of such measures was marginal in comparison with the expansion and spread of public services throughout territories. The welfare state building processes of both countries were without

comparison the strongest forces in counteracting the more centralising forces of the market. In later years, when the increase in public spending has been reduced, and in some fields of activity even cut, and the welfare state has ceased to expand, the expansion of higher education also in peripheral areas is a most important state policy for levelling out regional differences. Particularly in Norway, regional policy has been associated with security considerations and military spending, where a good spread of the population was seen as an important aspect of territorial control. This issue linkage has not been as obvious in Sweden until more recently, when cuttings in defence expenditure has meant regional considerations has come into play in the process of closing down military establishments. This has been true also in Norway.

In Sweden, Norwegian (narrow) regional policy is often considered a better model, at least from within support areas, even if only a few of the political parties urge on the regional politic. On the other hand, the enthusiasts often refer to Norwegian conditions when submitting a motion for regional policy. Four reasons for this deserve mentioning here. First, there is the reimbursement of incomes from hydro-electric power to municipalities with power plants in their territories. Second, there is the reduction of study loans for people moving up north in Norway. Third, there is the regional differentiation of social security tax. Fourth, there is envy of the Norwegian agricultural and rural policy, which is seen as a strong reason for the relatively inhabited rural areas of Norway. The three former are discussed as viable options in Sweden, while the fourth is not considered a realistic due to very limited weight of the primary sector, particularly in northern Sweden.

Both Swedish and Norwegian views on the better conditions in Norway are frequent (Johansson, 2002). There is also a tendency towards stronger beliefs in regional policies in Norway compared to Sweden. All Norwegian political parties except one support the existent level of regional spending and consider themselves as positive to the policy. (Dagens Nyheter 022010).

The Swedish spending in narrow regional policy exceeds the Norwegian counterpart with twice the amount, 365 mill Euro compared to 188 mill Euro (2002). However, tax incentives are not included in the national regional policy budgets. The value of tax incentives, as the regional differentiation of social security tax, is not easily calculated due to large negative spin-off effects. If these are ignored, the reduced tax revenues for Norway are estimated to 1151 mill Euro (2002). This is six times the regional budget in Norway, and

of course a powerful tool. This can also be compared with the Swedish figure for tax incentives, 88 mill Euro (2002) (Hanell, Aalbu and Neubauer, 2002).

In addition to the above, yet another distinct feature of Norwegian regional policy is its connection with foreign policy, where relations particularly to neighbouring Russia, but also to Sweden and Finland, increasingly tend to be considered a window of opportunity in the northernmost part of the support area. There is no such discussion in Swedish regional policy, but on the other hand, Sweden does not have any immediate border of such foreign policy concern in its regional policy support areas.

In as far as there are unique features of Swedish regional policy in comparison with Norway's, these have very much to do with the EU memberships and the introduction of the Structural Funds. Norway's exclusion from participation in EU's own "regional policy", which is generally applicable to EU member states only, therefore stands out as an obvious difference in terms of adjustment between the two countries. Among the main regionally specified programmes of the Structural Funds, especially "objective 6" – targeted at regions with low population density – would have been applicable to large parts of Norway in the case of membership. Change in the system has mainly taken the expression of marginal adjustments of regulations and measures, mainly narrowing down the scope of regional policy in the traditional sense. It is not unjust to say that Swedish regional policy has been lacking in imagination for a long time, and that any new influence can be traced into the Structural Funds system. The most recent and obvious example of this is the 'regional growth agreements' that are strongly influenced by the guiding principles of EU regional policy, although described as a regionalisation of industrial policy.

Although Norway is not a member of the Union, there is a great political interest in the country for trying to adapt to EU rules in most (all) fields of policy. The EEA agreement is an important reason for this, but Norway tries its best to adapt also in fields not covered by this agreement. As a consequence, Norway is as adapted to the EU as any member state, but in some fields Norway is not allowed to participate in the benefits of the Union (decision making processes and getting money from Structural funds are examples of this). Strategies for developing Norwegian regional policies imply that the intentions and measures become more and more similar to the ones within the Union. For instance, the bottom up approach, where regional and local characteristics (endogenous characteristics),

knowledge and growth poles are in focus, is gradually taking over from the traditional equality and top down (exogenous factors) Norwegian way of thinking. Local/regional partnerships, contracts, and the ESDP approach are gradually becoming important also in Norway.

This means that apart from the Structural Funds, other aspects of European integration affect Sweden and Norway more similarly. Three factors with a strong bearing on the formulation of regional policy deserve particular mentioning:

1. Specific regional policies at the national level generally have to be in accordance with EU competition policy, i.e. the general rule that support for private firms should not negatively influence competition between countries within the EEA, unless the measure is mandated by specific paragraphs in the treaty.
2. The selection of regions qualifying for regional policy support, and the types (investment or operating support) and levels of support, have to be in accordance with the criteria stated in the specific paragraph on regional policy support.
3. Economic development, economic policy and the general economic-political "climate" will gradually come to reflect the rules and actual forces of the developing competitive context of the European Single Market, also influencing a wide spectre of specific sector policies in a broad regional policy context .

These points exemplify that the general long-term impacts of the EEA-rules, as well as of full economic integration in the European Single Market, are on regional policy in the broader sense. In this respect Norway is expected to be exposed in the same ways, and much to the same degrees, as other EEA-countries, including the EU member states, like Sweden.

However, differences may nevertheless occur as a consequence of e.g. variation in national regional structures, industrial structures, general economic conditions and policy responses, and due to differences in access to modifying the EU regional policies. On the other hand, important policy approaches promoted by organisations like the EU, has a tendency to "rub off" and come to effect as nationally adjusted "policy-copies" in a wider area, and Norway is traditionally very open to this kind of policy import. Moreover, several EU policy initiatives (like the ESDP approach and the INTERREG initiative) are intended to affect the wider cooperation area, and are already possible to trace in Norwegian politics.

The definition of peripheries in Norway and Sweden is quite different from the definition used by the European Union. In the EU, peripheries are areas of industrial decline, high unemployment and/or low-income level, or one might call them the poorer areas. This is not the case in Norway and Sweden. This implies that the aims as well as the measures of regional policy differ quite substantially between the EU and Norway/Sweden. In the EU, regional policies are directed mainly towards subsidising these poorer areas, and the aim is a more even distribution of wealth between all regions in the Union. Policies in the Union are generally restricted, as the main philosophy is that the market, and competition, is the proper place for allocation. Therefore, regional as well as other policies are not meant for subsidising industries in certain regions or sectors. They are of a more distributional character. In Norway and Sweden, subsidising private industries (mainly investment support) in the peripheries has been an important part of regional policies.

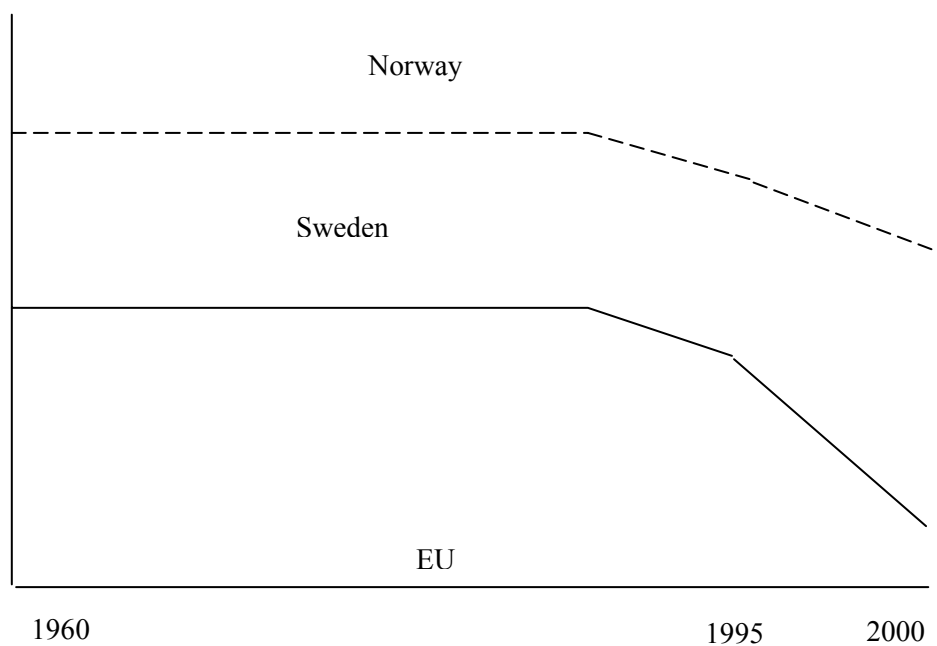
There is a difference though, between Norway and Sweden, in how new industries and infrastructure are considered, as demonstrated by the different policies for broadband, ICT and research and development. For all these sectors, Norway is far behind Sweden, and also in some contexts, far below the OECD average. This can be seen as a paradox, all the time Norway (as Sweden) have such a highly educated population. An explanation might be that the highest educated labour in Norway finds work within public government.

In peripheral areas, local and central governments traditionally have played a major part in the regional economy in both Norway and Sweden. There are differences here as well though, indicating that the Norwegian policy in this field may have been more top-led than in Sweden, with the specific Norwegian extensive use of earmarked grants to the municipalities as one example. Another difference is found in the government's share of the regions' GDP; Local and central government are of more importance in the Norwegian periphery than in the Swedish periphery.

The development of the regional policies in Norway and Sweden compared to the EU regional policy can also be shown – in a schematic way - as in Figure 5.2. Here the bottom line represents the EU regional policy and the two other lines Norway and Sweden. The X-axis represents the time dimension and the Y-axis the difference to the EU policy with respect to the two Nordic countries. In figure 1, it is supposed that Norway differ more than Sweden with regard to the EU's policy. The trend is, however, that both countries have diminished the gap towards the EU, but Sweden more than Norway.

This means, thus, that the gap between Norway and Sweden has been widened despite the restrictions¹¹ that the EEA-agreements put on the Norwegian regional policy.

Figure 4.2 *A schematic view of the development of the regional policies in EU, Norway and Sweden 1960 – 2000*



¹¹ As demonstrated by “Effektutvalget” and “Handlingsromutvalget” (NOU 2004:15), there are unexploited possibilities for Norway to provide regional support within the EEA-treaty.

5 Future prospects for Regional Policy

...The major challenge is a persistent centralisation of economic activities and of population (Berg, 2003)

We start this chapter by examining some available studies of future prospects, concerning regional development, or more correct; the frames for regional development: Industrial structure and demography.

Since most analyses of the future starts in the present, we need, as a background, a picture of the differences in the structure of industry in Norway and Sweden, see figure 6.1.

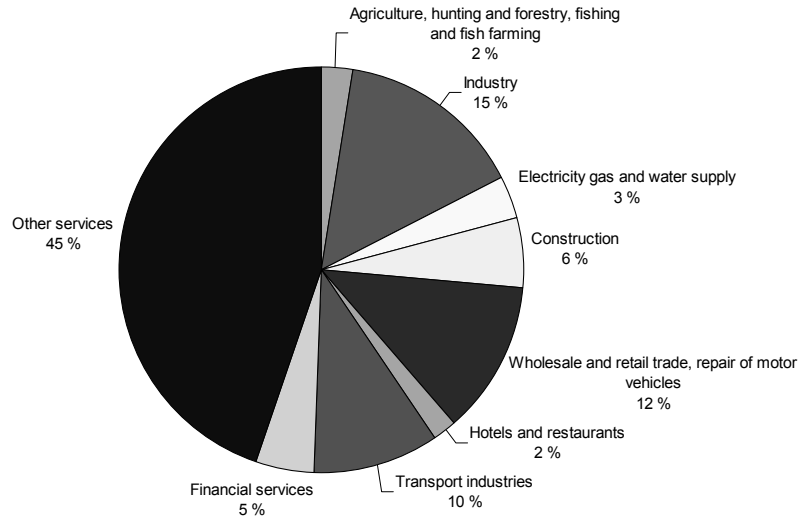
The Norwegian petroleum activity is of course of great importance to the Norwegian economy. In the Regional Accounts this activity is located to the constructed extra-regio¹². For the accounting year of 2000, approximately 25 per cent of the total GDP was allocated to the extra-regio. Over the years this share will vary with the activity and with the prices. If we look at the total figures from the National Accounts of 2001, we see that the petroleum activity alone contributed to the total GDP with more than twice as much as the rest of the Norwegian industry. This, combined with the fact that the activity eventually must end, is a great challenge for Norwegian policy makers.

For comparison with Sweden it is more interesting to look at the figures with the petroleum-related activity excluded. We see from figure 6.1 that the main differences are found for manufacturing, and in the share of "other services", the latter also covering public sector.

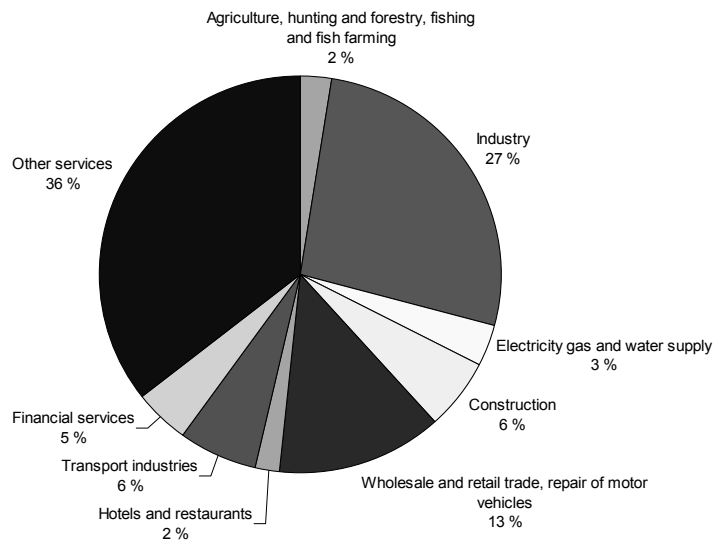
¹² This is in accordance with international recommendations on National and Regional Accounts, given by Eurostat.

Figure 5.1 *GVA by groups of industries. Norway 2001(Oil related activity excluded) and Sweden 2001*

Norway (2001):



Sweden, 2001:



Source: Statistics Norway and SCB

From other studies (Hagen et al 2002) we know that Norwegian manufacturing industry, compared to the manufacturing industry in the EU, can be characterised by:

- Activities with a less degree of falling returns in production
- A lower tendency to employ high educated labour
- Markets with relatively low growth
- A lower R&D intensity
- Using a higher share of production factors

Another difference in the total industrial structure between Norway and Sweden are found for the financial and business services. According to Hagen et.al, this sector has experienced a larger growth than any other service sector in both countries. When it comes to original size and growth, the financial and business service sector has a stronger position in the Swedish economy than in the Norwegian. Measured as share of total employment, the sector is smaller in Norway than in any other Nordic country.

On future prospects, we start with a Norwegian study, Cappelen and Stambøl (2003), giving prospects for regional employment and regional distribution of GVA and employment to 2017, on the basis of figures from the Regional Accounts for 2000.

5.1 Future prospects for regional development in Norway

Statistics Norway have published some future prospects for regional effects of changes in macroeconomics and in (the broad) regional policy. This has been done with the industrial structure in the regional accounts of 2000 as a base in the regional model, REGARD. The future perspectives on a national level are given by the MODAG model, and have certain assumptions concerning macro-economics (The EEA-treaty continues; allowing the approximately the same monetary policy as today; a steady economic growth at the trading partners; a decline in the oil-related investments and activities in Norway, to mention some).

5.1.1 Macroeconomics

The period to 2017 can be divided in two, where the first part will be the hardest: Higher unemployment rates – especially in manufacturing due to the falling demand from the oil-related industry. Competing industries will lose market shares. The value added from manufacturing industries will remain steady, however, which indicates an increased efficiency. In the second half of the period, the perspectives are more optimistic:

The unemployment figures will now remain steady on 5 per cent of the work force till 2009, and then decline to approximately 3 per cent in 2017. The competing industries' market shares will be constant: The negative effect from the activity decrease in the petroleum sector will not be as strong anymore, at the same time as a more expansive fiscal and monetary policy are possible.

5.1.2 Regional economics; a question of industry

Regions with a relatively high share of oil-related industries will be strongly affected by the slow-down in the sector. Likewise: Regions with a relatively high share of industries with a strong growth will be the winners. For the inland counties, the development in agriculture and forestry will have a strong impact, whereas the development within fishing is of most importance for the northern parts of the country. Agriculture is the industry, except for the petroleum industry, where the employment decrease is assumed to be largest.

The counties initial resource base will not change significantly.¹³The allocation of industrial activity and services in the counties may, on the other hand, change a lot. The location of central governmental activity as well, as recently demonstrated. The possibility of such structural changes cannot be taken into account in Statistics Norway's calculations of the future perspectives.

In the first period, to 2010, the average growth in employment will be approximately 3 per cent, with regional variances: Oslo experiencing a stronger growth. At the opposite side we find Rogaland, as the only county with an employment decrease.

¹³ An example to a possible shift in this may be the extraction of petroleum in the north, but this possibility is not examined.

In southern and western parts of Norway, the employment growth will be weak, due to the low growth rates in the industrial base, combined with higher efficiency.

Central and eastern parts will have stronger growth, according to the growth in services. This also counts for Sør-Trøndelag, but not for Nord-Trøndelag, due to the lack of an initially strong base of private service industries.

An industrial base of fishery and services promotes growth in Northern Norway: The growth rates for the employment will be around, or even just above, the country average. The regional development in Northern Norway will, however, not be as promising as these prospects illustrate: The abolishment of the regional differentiated payroll tax is not taken into account. According to Cappelen and Stambøl, this will change the perspectives – disfavours the northern parts.

The uncertainty in such future perspectives will of course increase with the time horizon. We will therefore only mention a main point from the analyses for the last period; 2010 – 2018: The model calculations result in regional distributions quite similar to the regional patterns of the 1970's; the employment growth in the North of Norway will contribute to a more even regional development than what has been the case in the past. A force in the other direction may be the relative strong growth of the Oslo region.

A strong assumption in the calculations is that exploitation of the oil in the North Sea already has passed its maximum, and – implicitly – that no replacements will be found. In this perspective, nothing is new; the last decades have demonstrated plenty of examples on future prospects stating that the oil is an exhaustible resource, and the maximum exploitation rates are seen. But technological progress, combined with the founding of new resources has repeatedly changed this picture. What is not changed is the governmental concern and restricted attitude against spending the oil money on inland activities. Has this been a necessary policy to prevent even more rent-seeking activities, and to motivate innovation? Would such a non-spending policy be possible without the fear for the soon-coming slow-down in the oil sector? Future prospects, right or wrong, may indeed have a policy effect; intended or not.

The future prospects also demonstrate the vulnerability for regions with a mono-industrial base, and/or depend on exhaustible resources or agriculture. They also clearly demonstrate that the paths of

development depend on which frames they are given; or in other words; the regional policy in the very broad sense.

5.2 Sweden: Centralisation and larger regions

This chapter is based on “Annex to governmental report on long-term perspectives 2003/04: Regional development – prospects to 2020” (“Bilag til Långtidsutredningen 2003/04: Regional utveckling – utsikter til 2020”)

The average annual growth in employment is estimated to be 0.25 per cent from 2000-2020, a lower rate compared to the recent past. The employment growth will be concentrated to the largest regions, in terms of population: The employment growth will only be positive in what is defined as “Storstadsregion”; larger city regions, and regions housing units for higher education. Meanwhile smaller regions, dominated by private employment are estimated to have the largest decrease in employment. These regions are often characterised by a high share of manufacturing industries, where high educated labour is not required.

It is an initial assumption that the industrial base of Stockholm is more specialized in sectors where the employment growth will be weaker than during the 1990's¹⁴. This results in a lower employment growth for Stockholm than for Göteborg and Malmö, which represents a shift in a long trend.

A major point in the Swedish analyses is that the centralisation towards larger cities is stronger for the employment figures than for the population figures. This implies an enlargement of the larger city regions.

The question of industrial and/or resource base will determine the path of development for the regions, as we have seen in the future prospects for Norway. The Swedish prospects calculate an employment decrease in manufacturing, which will eventually have the largest impacts for the regions where manufacturing has an essential share of the total industrial base. These regions are characterised as “sekundære sentra”, and smaller regions.

The development path for service industries is divided: The larger city regions will have an employment growth by almost 1 per cent per year, at the same time as the employment in the smaller regions will

¹⁴ For instance ICT, financial services and business services

decrease. It is within this sector the regional differences are most striking: For larger cities the service industry counts for 62 per cent of the total employment in 2020. For smaller regions the share will be just below 30 per cent.

Smaller regions with a high concentration of public activity have an estimated decrease in employment with 0,05 per cent per year. In spite of this, the public share of total employment will exceed 42 per cent by 2020. Public employment will also be of great importance in the regional centres, where the share is estimated to be 38 per cent by 2020.

The model calculations (done by the rAps model) demonstrate that the economic polarisation between larger city regions and smaller regions will continue, although at a slower speed. It is only the Stockholm, Göteborg and Malmö regions that are assumed to experience a growth rate in the regional gross value added above the country average. The smaller regions dominated by public employment will experience a stronger economic growth than in the recent past. Still, the growth in the regional GVA are assumed to be weak in the years to come.

As a result of the continuing centralisation within the Swedish economy, nearly half (48,4) of the total GDP will be allocated to the larger city regions in 2020. This implies an increase by 5 percentage points since 1993. In 2020, the Stockholm region are calculated alone to contribute with 30 per cent.

5.3 Future prospects and policy means

From the future perspectives mentioned above we see that the centralisation forces are assumed to have a stronger impact on the Swedish regional economy, than what may be the case for the Norwegian economy. Although, less predictable factors may alter the picture in an entirely different way for Norway; the regional development in the northern parts of the country depends, among other factors, on the compensation of the regional differentiated payroll tax. It is only the northernmost parts that are allowed to continue. The centralisation forces may also be stronger than estimated for the Oslo region. Still, there are some factors separating peripheral areas in the two countries. In favour of the Norwegian periphery:

- The Norwegian periphery has a younger population than the Swedish periphery

- Large parts of Norwegian periphery are sited by the coast, where the industrial development is better than for the inland periphery.
- Also cities located in the Norwegian periphery have had an employment growth during the last part of the 1990's.

Further, we find according to Åhlander (2003), in our translation:

Redistribution of economic resources through the country, and especially to agricultural activities and to the municipalities, forms an explanation of how the crisis in the periphery has become lower in Norway than Sweden. In Norway, regional policies (...) have been applied as a means to keep the Norwegian periphery vigorous

As mentioned earlier, both Norway and Sweden have been forced to minimize a well functioning means in the regional policy, namely the differentiated payroll tax. The policy implication of this is a clear shift from neutral means (the differentiated payroll tax may of course be viewed as a subsidy on one production factor, namely labour, although it is neutral in the context of industry. Analyses also revealed that it actually had great impact as such.) to non-neutral means: The differentiated pay roll tax must, with exception for the northernmost regions, be replaced by means in accordance with the EEA rules: Limited to certain branches, small and/or medium enterprises etc, by more closely defined conditions.

This remains a great challenge for the Norwegian government, who can not, as Sweden has done, take advantage of the structural funds instead. The Norwegian government must carefully consider what the new criteria for giving support should be:

Should support be given to clusters, in order to build strong regional centres of growth, in accordance with the latest outspoken political goal: "Growth in all *parts* of the country?" (the italics are ours)

If so; what kind of clusters is "worthy of" support?

Should for instance earlier recommendations concluding that the only real clusters in Norway was in the oil sector and the maritime sector (the conclusion being led by the fact that the analyses strongly favoured sectors with high capital intensity...) be followed, or is it possible to find optimal criteria, maximizing the total benefit for the society as a whole?

- Should innovation be the central criteria for support? If so, how is it to be measured?

- How should rent seeking activities be avoided, if possible at all?¹⁵
- Should the support be even more directed to agriculture and fishing, industries which are not covered by the EEA treaty?
- How is it possible to avoid lock-in effects?¹⁶

All these and many more questions is of course of great importance when a new policy is considered.

A committee, "Handlingsromkommissjonen", has been working with alternatives to the regional differentiated pay roll tax, and delivered their statements and recommendations by august 2004.

The institutional organisation of the possible new means will also be of interest. Inevitably the administration of the replacement means will be subject to more or less possibilities for influence, either by elected politicians, eager bureaucrats or even lobbyists.

5.4 Scenario sketches

... While each successive stage reflects forces that are obvious in retrospect, attempts at predictions nearly always get it completely wrong

Paul Krugman (1999)

Predictions often fail; it is difficult to put the uncertain elements in a model system, besides – there may be exogenous factors determining how the uncertainty should be calculated. A main reason for prediction failure is often to find in the starting point: Normally a structure is taken for granted and extrapolated in one way or another. The problems arrive when the starting point – in retrospect – turn out to be not very typical to the rest of the prediction period. For instance; earlier predictions of the Norwegian population stated that it would not reach 4 million in a foreseeable future. The prediction failed to predict the non-typical birth rate pattern of the post-war times.

¹⁵ This is often neglected by politicians, but may very well be a central hinder for the future growth in the Norwegian economy, see Gylfason (2002)

¹⁶ Lock in effects may occur if, in competition, the wrong system or the wrong industry is subsidised. The fact that the conclusion; what is the right and the wrong system, branch, the winning horse... appears after a while, does not make it easier in advance.

As an alternative approach to the economic modelling of the future, we have the so-called scenario method; where several possible development paths for the uncertain factors result in different scenarios.

Scenarios are commonly used as tools for testing of strategies in different worlds, or snapshots of changing surroundings, in a more or less soon-coming future.

The aim here is another; we intend to illustrate how different policies may result in diverging worlds. The testing of the policies on different snapshots of the world may remain as another subject for research. The resources and aims of this project only permit a rather rough sketch of scenarios, and we have chosen to consider policy as important premises in the development of the future.

We start by pointing out two main uncertain elements (among many other possible factors): The development within the European Union, and the internal regional policy focus. The scenarios will be outlined mostly for Norway, as Sweden will be considered among the other EU members. The uncertain elements may have different strengths, and are illustrated in figure 6.2. Here we have drawn two axes, giving four quadrates. In three of them there is a title, indicating different scenarios.

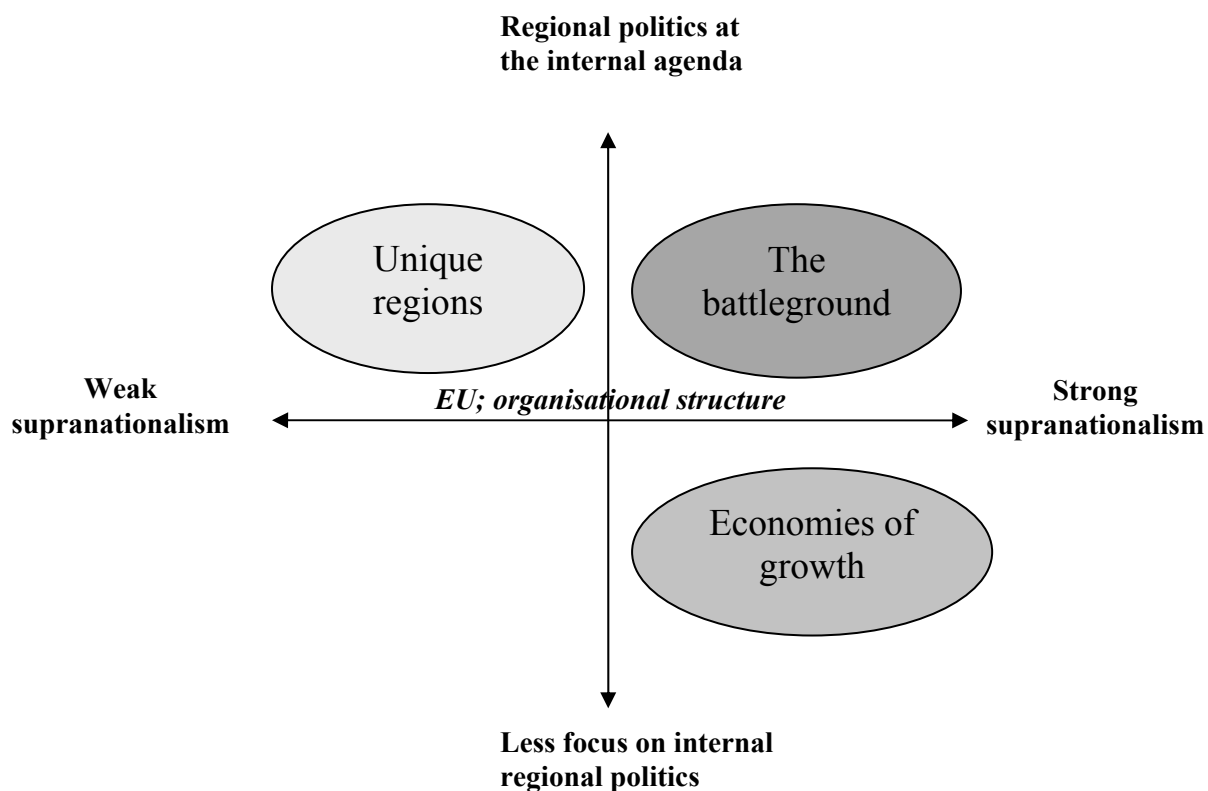
The term “Regional policy” is here defined as the regional policy of the state. The “Regional policy”-factor have two poles:

- A strong focus on regional policy, regional imbalances and resources. Political goals for regional development exist, among other regional factors.
- No focus on regional policy, and no regional goals in the state policy. Instead there is a pure market optimism, combined with a full price flexibility

The other important, uncertain factor will be the development within the EU, with a stronger or weaker supranationalism as opposite possibilities.

We start the stories from 2020 in the quadrant, down to the right:

Figure 5.2 Scenario diagram



5.5 Economies of growth

The trend of decreasing regional policy means continues, and in 2020 there is no longer a policy for specific districts, rural or urban areas.

New public management were replaced by new economies of growth; combining cluster and innovation theories, adding a new liberal element. According to the new theories, there is no need for a specific policy towards specific areas. The regional development will be in accordance with the market, if the market imperfections are of moderate art.

The wage differences were gradually larger in the period up to 2010. This was possible due to a relative high inland unemployment rate, combined with the access to cheaper labour from the newest EU countries, and weaker labour organisations. Besides, the governments in the beginning of the period wanted to follow up the advices from OECD, clearly stating that larger wage differences were necessary, in order to improve the functionality of the market.

There were, however, large differences in the regional figures for unemployment: The Oslo region, now covering most of what used to be defined as eastern Norway has had a growth throughout the whole period. Meanwhile, the most rural areas of Norway have had the strongest employment decrease, together with mono-industrial places at the south and western coast. The high employment figures led to lower wages and higher migration, especially to Oslo. After a while this trend eventually resulted in congestion problems in Oslo, and structural problems and - eventually - lower wages here as well. From a market liberalist point of view, this process is assumed to end up in a new regional balance; in 2020 this is not yet the case.

In the northern parts of the country, a new nobility group has emerged: Owners of the largest fishing floats. The ESA directive from 2004, stating that there were no limits to the use of foreign labour, was in 2020 proved to be the kick-off for their growing wealth. Together with the workers in the growing northern petroleum sector, they are now the important group of demanders in the service markets of the cities. The earlier fishermen are either re-educated or unemployed. There are no specific regional policies, except for the public offer of re-education to the group of employees (mainly fishermen from the northern and western coast of Norway) who find their services no longer required. Further needs are addressed to the social security system, which has experienced a strong growth.

In accordance with the new growth and cluster theories, industrial support is now given to selected growth poles, mainly located in the largest Norwegian cities. The system is administered from the new Ministry of industry, employment and growth; that emerged in 2008 from the earlier ministry of local government and regional development, and the ministry of trade and industry. The migration towards the larger cities has expanded, resulting in a slightly different settlement pattern in 2020; more urban than before.

The need for urban policies is now a frequently discussed political subject, with background in the increased polarisation between Oslo and the rest of the country. The inhabitants in central eastern parts of

Norway are so many relative to the rest of the country, and their willingness to pay for transfers to other growth poles are low.

In the European Union, the organisational structure has gradually changed. It proved to be extremely difficult to incorporate the new member states of 2004, both due to protectionism, and internal structural problems (in general, the huge differences in the level of living). One solution was found in a stronger supranationalism, in order to enable decision making.

As the structural problems within the union increased, the structural fund system had to be changed. Gradually more resources were transferred to poorer areas, on the expense of the wealthier regions – measured in terms of GDP. For Sweden this enforced the already strong centralisation force, and in 2020 the most peripheral parts of the country are, almost not inhabited. The Malmö region was in the years to 2020, the fastest growing region in Sweden.

5.6 The battleground

The scenario is found in the upper, right quadrant, where the regional politics is of great internal importance, meanwhile a strong, federal Europe, to some extent, provide the framework. Between these two forces, the battle is rolling.

During the period to 2020, there have been many disputes between Norway and the European Union, most of them concerning the legality of state support to industries, branches and even selected enterprises. The search for new policy means to improve regional imbalances were particularly strong in the beginning of the period, including a suggestion to the new tax reform: A tax reduction on output, reflecting the extra costs caused by a peripheral location; the location relief, stretching the tradition from the minimized differentiated pay-roll tax. This would ease the situation and see to a more fair competition situation for peripheral located industry, it was argued. After a few years, a slightly revisited version of the location relief proved to be an important mean in the new regional policy of Norway. Although not fully accepted by the EU it may, it was speculated whether this was an underlying reason for the many disputes, also on other areas.

The favourable taxes for peripheral location, combined with an overheated economy in the Oslo region, promoted a more spread industrial location structure – only limited by the access of labour, and

the willingness of the population to turn the centralising migration flows. It also enabled the production in the Norwegian agriculture to continue, in accordance with political goals.

The Norwegian labour market attracted highly qualified labour from EU areas where the unemployment and population density were significantly higher than in Norway. The Norwegian unemployment figures increased, and in 2020 the unemployment are approximately the same as the European average. The resource based industries; agriculture, fishing and petroleum activity, stands as positive exceptions.

The extraction of oil and gas from the North Sea is still a main driving force in the Norwegian economy, although the many, mostly small scale, production units in peripheral parts of the country may be a counterforce. A political discussion is whether these small-scale-units is, or can be, of any other importance than to keep a settlement pattern throughout the country, financed by the delayed decrease in the petroleum sector.

The growing federalism of the EU has also been a challenge for the Swedish regional policy: The structural policy to overcome the deep differences in the level of living had to be strengthened. The Swedes have had heavy disputes within the EU, focusing on the need to keep up the regional policy towards densely populated areas as well, especially in competition with the New Norwegian regional policy. To a large degree, they have succeeded, and in 2020 the transfers from the EU structural fond are of approximately the same importance for the Swedish economy as in 2004. The Swedish future perspectives of 2004 turned out as predictions on the population and location structure of 2020.

5.7 Unique regions

The current trend across EU Member States is towards a strengthening of the regional level, something that has been encouraged by Structural Fund implementation regulations.

Hanell, Aalbu and Neubauer (2002)

The internal structural problems of the European Union took all the political attention in the beginning of the period up to 2020: The difficulties in integrating the new member states was given top priority within the EU system, leaving the regionalisation forces

mostly to themselves. The exceptional peripheral problems in the Nordic countries were also of very little interest for several years, providing both Norway and Sweden enough space to develop their regional policy.

In Norway, the *regional* policy continued, with less attention to the keeping up of the settlement pattern and specific problems of smaller communities. This was followed up by clearer policy goals, with base in earlier theories of growth poles: In order to grow, each region should have a growth pole, specialized in the regional comparative advantages. The clearer goals finally started the discussion and public interest of how the socio-economic landscape ought to be in the future, also promoting interest and participation to the new innovation and idea contests.

Towards 2020 the regional policy gradually reduced the transfers to smaller municipalities and businesses, shifting to support specific industrial clusters, assumed to be of particular importance for a region, and at the same time exploiting the regions' uniqueness. The policy was to a large degree successful, in terms of achieving the outspoken target, and in 2020 Norway has four-five strong, regional growth poles, performing well in global markets.

The price for the policy emphasizing regional differences has mainly been the depopulation of particular peripheral areas, and more or less congestion problems in the growing cities. The regional vulnerability is also assumed to be larger in 2020 than it used to be in earlier times, before the regional industrial structure really specialised. A period of decentralising the regional policy means enforced the regional differences, especially in municipal service production. Variances in the local authorities' willingness to take risks in investment projects also gradually became a larger problem. One solution was a stronger influence by the central government; and stronger centralisation in the service production. This reform came at approximately the same time as the state of the international markets changed; from increasing unemployment, to an increasing growth and optimism.

In 2020, a political discussion is rolling, whether the reform were the necessary kick-off of the new industrial growth, or whether industrial growth would have been achieved anyway, due to the good times, and the only direct result of the reform being the even stronger centralisation and depopulation of Norwegian periphery. The arguments of the opposition, is that this could have been avoided; the resources spent on industrial development has only led to higher industrial profits in steady growing markets. If the same resources had

been invested in municipal services, at the place of living, the migration flows could have been changed.

The Norwegian regional policy for industries and growth are in principle quite similar to the earlier Swedish policy of growth and regional partnership. And there are traces of convergence in the industrial structure and the settlement pattern of the two countries in 2020, with a few exceptions: Norway has still relative strong urban concentrations outside the central eastern parts of the country, this is not the case for Sweden. The Norwegian specialisation has reinforced a mono-industrial structure for certain regions, increasing the vulnerability for changing times, compared to Sweden, who have tried to learn from earlier mistakes and promoted a more differentiated industrial structure.

6 Conclusion and dilemmas

Analysing the effects of various measures on economic development is associated with methodological difficulties. One problem is that there is often no control group with which to compare, another is that it is difficult to differentiate the effects of the measures studied from the consequences of what is happening in other areas of society. Yet another problem lies in isolating the cyclical development from the structural or current development from long-term development. This applies in particular when analysing ongoing economic processes. This problem is not as pronounced in cross-section analyses even though different companies, industries or regions may, for example, be in different phases of an economic cycle or transition phase. Nor does this problem diminish when including the future in the analysis, or in making forecasts based on various assumptions.

The use of counterfactual methods is thus associated with a number of methodological difficulties. Nonetheless, it is in the nature of the assignment to use counterfactual reasoning to study the effects of various measures implemented in connection with different policies. This means that the evaluation is implicitly based on different theories and models and that the analysis of various measures' impact on employment must be carefully interpreted and with some reservations.

One problem in analysing changes in the economic policy and then including regional policy over time is that the causes are not only linked to amended regulations and institutional circumstances. Employment development, business climate and its changes are also connected to the economic situation and the long-term economic development. Three factors must therefore be isolated in evaluating businesses and their development –the economic policy in a limited sense (for example, attitudes, regulatory frameworks, and institutional circumstances), cyclical factors and structural factors.

One of the intentions of the project was to compare the impacts of regional policies in the two countries, implying, of course, a

discussion of the aims and policy measures. However, there are several problems connected to comparing impacts between countries. The most obvious one is to find the proper indicators for measuring them. This can be a problem if we only wanted to measure impacts in one country, and comparing the impacts between two countries increases this problem. How can impacts be compared if similar indicators do not exist in both countries? A second question can be added to this. How can impacts be compared, if comparable indicators do exist, but if the measures as well as aims for regional policies differ?

An additional problem is that the narrow and broad definition of regional policies might vary between the countries. The measures for regional policies also vary and the impacts will therefore differ. The final comment is that the regional level of impact is also important. The size of the municipalities, labour markets and counties vary, and this has to be taken into account when comparing the impacts.

However, we strongly feel that we have been able to trace some of the differences and similarities between the two countries. Some of these are discussed in section 5. Both countries have traditionally been mixed economies, with a strong and participating public sector. The development of the welfare state and public services directed towards the population has probably been the most important factors in developing the peripheries in both countries. Economic problems for the public sector in Sweden in the 1990s, together with a more liberal political wind blowing in both countries and regardless of whether they are members of the EU or not, both Norwegian and Swedish regional policies seem to develop in the same direction. Each region has to look more to the endogenous factors and extract whatever they can based on their own structures, networks, knowledge and innovations. The importance of the more patriarchal and traditional top down regional policies is diminishing.

We have not looked particularly at structural differences within or between the two countries. It seems, however, obvious that Sweden's manufacturing sector – in combination with the development of the public sector - has been most important for the regional transformation in Sweden. The growth of the latter has acted regionally as a stabilising factor with regard to the business cycles and the deindustrialisation process. The exception here is the development during the crisis years of the 1990s. In Norway, primary sectors and the utilisation of natural resources (fisheries, oil, and electricity) have probably influenced regional development more.

The project may be followed by a discussion of the impacts of the development of private industries for regional development, and hereby trying to consider whether regional policies (in the broad sense) have influenced regional development more or less than sector development, and to what extent there has been a connection between public and private sectors of the economy. One may look further into comparing the private-public connection and its impacts in the two countries. Thus, this may be topics for following investigations.

7 Appendix: Rationales for regional policy

7.1 Introduction

It is necessary to assess what kind of reasons and arguments the government put forward in order to legitimate its regional policy and concrete means for putting that policy into work. Therefore, the present chapter has a section containing theoretical considerations, a section reviewing the relevant policies and an assessment of this policy in light of the theoretical premises, and a section trying to establish a frame of reference, or independent basis, for a regional policy, which eventually favours peripheral areas.

7.2 The Neo-classical theory

A basic assumption in this perspective is that the individual and societies aim at an effective resource utilisation. The consumers are assumed to maximise satisfaction (utility), and producers are assumed to maximise profits. Therefore, demand are characterised by the concept of marginal utility; i.e. the marginal benefit of a good or service decreases as one get more of it. Although the well-being, or utility, a person receive from the act of consuming does not have to be told in money terms, it is a matter of fact that advanced economies use money as a measure of and a means for exchanging products and services. The consumer is willing to pay a price which corresponds to the increase in marginal utility, and in that way price equals marginal utility. The individual demand is based on prices, earnings, and preferences. The cheapest goods and services are chosen while the demand on a societal level is based on preferences, prices, total earnings, and the distribution of earnings; i.e. who experience growth in their salary is important for what amounts of goods and services are

bought. An identical theory is in work on the supply side: i.e. the production of goods and services depends on the marginal cost and the marginal revenue, and the claim for profitability and total profit maximising determines the resource allocation.

How resources and goods are distributed in the market depends on how the market is organised, and the Neo-classical theory on prices and resource allocation rests on two basic assumptions: firstly the profit maximising behaviour, and secondly the lack of external control over market powers. The ideal market is considered as a market characterised by perfect competition. “(- - -) Each economic agent acts as if prices are given, that is, each acts as a price-taker; the product is homogenous; there is free mobility of all resources, including free entry and exit of business firms; and all economic agents in the market possess complete and perfect knowledge.” (Ferguson & Gold 1975, page 225). Theoretically, a situation characterised by perfect competition will result in a situation where it is impossible to improve the situation for one person without worsening the situation for one or more of the others; i.e. a Pareto optimal situation. But we do not only have one possible Pareto optimal situation. Quite contrary, we have a lot of them.

At the other end of the scale we find a situation called monopoly, and “A pure monopoly exists when there is only one producer in a market. There are no direct competitors or rivals in either the popular or the technical sense. However, the policies of a monopolist may be constrained by the indirect competition of all commodities for a consumer’s dollar and of reasonably adequate substitute goods, and by the threat of potential competition if market entry is possible” (Ferguson & Gold 1975:261). The theory of monopolistic competition is meant to describe markets very similar to the perfect competition, except for two important deviations: “First, the products are *heterogeneous* rather than homogenous; hence perfect, and *impersonal*, competition cannot exist. Second, although heterogeneous, the products are only slightly differentiated. Each is a very close substitute for the other; hence competition exists but it is a personal competition among rivals who are well aware of each other” (Ferguson & Gold 1975:314).

A monopoly might exist as bipolar; i.e. one seller and one buyer, but it might also exist in a constellation of one seller and a lot of buyers; i.e. a supply monopoly. The last situation makes it possible for the monopolist to acquire more money from the consumers than under a perfect competition, causing a skewed resource allocation and income distribution. But a supply monopoly might also be established in order

to deliver products and services which otherwise would not have been offered, often due to expensive infrastructure constructions, as was the case for telecommunication during the 1970s and 1980s. However, generally, a monopoly is regarded as an inefficient market situation, a conclusion also applying for oligopolies.

7.2.1 Neo-classics and the life of peripheral areas

Our question is what kind of position a policy favouring peripheral regions has in such a system. Is it possible for a 'peripheral region' to be a good which might be sold and bought on a market? It is difficult to imagine how this could function. However, peripheral regions are settlements with employment, and consequently they consist of a lot of goods and services sold on a lot of markets. The interaction in the market might cause the income basis in specific regions to erode, and if people want their income level to be retained they might be forced to find new jobs, an event which might require migration. According to the theory, people actually ought to search for new and better paid jobs, whether migration is necessary or not, because this will be profitable for both the individual and for the society as a whole, due to a better resource allocation and an increasing income level.

However, another possibility is that people because of their preference structure, i.e. their preferred combination of goods and services, wants to stay put, may be due to increasing costs of living in another region or bigger city. Choosing not to migrate and eventually accepting lower wages is an adaptation giving a new clearing of the market, which as stated, reduces the earnings, but maintains the jobs and thereby the settlement. But the relations between and clearing of supply and demand in different markets are still seen as the basis for the settlement and the employment opportunities, and, as a result, there is a limit for how long the sustainability of the community can be maintained. Economically this limit is to be found at the point where people no longer can afford buying basic necessities. At this point, the settlements do not have any justification any longer, unless the inhabitants have accumulated capital to live on.

In Neo-classical theory, every place, region and so on; i.e. settlement, jobs, and welfare, are derived from assessments and justifications related to resource allocation and goods sold in different markets, where the supplied quantity is cleared with people's willingness and ability to pay. Theoretically, trade is a matter of comparative advantages, but in a concrete free trade situation absolute prices determine the clearance in the market.

7.2.2 Market imperfections making policy interventions acceptable

But it is also admitted that certain goods and services are of a nature which more or less disqualifies them from being left to pure market forces under a perfect competition reign due to a lack of incentives for paying unless everybody else also pays. The good or service, product or phenomenon is often for everybody to use when it is established, whether people pay or not. We will draw up the main contours of three types of deviation from pure market solutions; i.e. market imperfections.

The first form for market imperfection comes into being because of deviations from the criteria defining a market as a perfect competition situation. Monopolies or oligopolies in specific markets might create opportunities for charging higher prices than otherwise possible, a situation which might be the cause for specific regions and regions more generally losing jobs and thereby residents through net out migration. This kind of situation might legitimate a public intervention into the market, and how this market functions, but from a Neo-classical economic perspective the most effective strategy is to focus on what kind of actions which might enable the market to get rid of the monopolies. Subsidising those who suffer from the power of the monopolies, or oligopolies are acceptable in the short or medium term in order to keep the suffering market actors, and thereby specific areas, into business, but not automatically so in the long term.

Public goods (common-property resources) are characterised by being open for everyone to enjoy, use or take advantage of when they are established; i.e. phenomena of a non-exclusionary nature prone to the possibility of free riders. Principally, individual consumption of the goods or services will not alter or decrease utility of other individual's consumption, at least not in general. But we know very well that a too hard pressure on certain public goods might reduce its value, or utility, for everyone or for future consumers. Theoretically, if the public good is produced, the criterion is that the sum of the marginal willingness to pay for the good by the consumer equals the marginal cost of delivering the good. The problem is how to reveal the consumers willingness to pay because they never or seldom face a situation where they really have to choose among the public good and other goods of a more private nature.

Is it possible to characterise phenomena like peripheral areas and cultural landscapes as public goods? The basic requirement for

labelling them as public goods is that someone enjoy, or are interested in consuming, the good. If the answer is yes, it is also a fact that both peripheral areas and cultural landscapes as phenomena are accessible for everyone and free to be consumed. But it does not have to be accessible for everybody. A small area or a single point where people go for outdoor activities or just to look at a scenic view or a natural phenomenon, or a human artefact, might use prices in order to regulate the demand, or to finance its existence through charging money from the visitors. The common-property rights, which have a strong position in the Norwegian society, restrain the possibility for locking people out of specific areas or points of interest.

As a rule we can conclude that the goods; i.e. peripheral regions and cultural landscapes, are accessible for everyone, and as a consequence meet the criteria for being a public good. Another question is whether each consumer through paying for using or looking at what is offered; for instance paying for driving through a landscape might pay the additional costs of maintaining the area. The question is of course whether those driving through an area have any interests at all paying for what they are looking at. Either because they do not like what they see or only wants to pass through the area as fast as possible in order to arrive at their chosen point of destination.

But, the question, though, is that both peripheries and cultural landscapes are produced by activities which do not have these categories as the primary goal; i.e. the public good effect is an essential by-product of for instance the production of agricultural related goods, health services or house construction. We find ourselves assessing what in economics are termed externalities, which is considered as another form of deviation from the optimality of the perfect competition. Effects of the production activity are not reflected in the prices which the market face, causing the resource allocation to deviate from what is conceived as optimal in a perfect competition situation. A difference between private and social costs occur, and in order to retain optimality an additional external cost has to be added to the private marginal cost. That might be done through duties, taxes or subsidies, aiming at a situation where direct and external marginal cost equals the Consumer's marginal willingness to pay for the direct effect plus the total marginal willingness to pay for external effects among all consumers.

Therefore, peripheries and cultural landscapes must be considered as a mix of two different forms of deviation from the optimal resource allocation in a perfect competition, both legitimating public interventions. But those interventions have a different character; i.e.

an external effect does often affect a limited number of consumers, whereas the public good principally is free for everybody to use. Consequently, we face an external effect, which is accessible for everyone, and as a result, subsidies or other kinds of aid and support to the varied activities making up a periphery or creates a cultural landscape will also have consequences for the functioning of particular production processes. Those effects must be compared to the benefits of preserving and maintaining cultural landscapes and peripheral regions.

Of course, we might have a situation where the periphery or, probably more relevant, a cultural landscape, is the main goal for those living and working in the different areas. Such a situation could very well turn out to be more optimal in a purely economic sense because it is not necessary to take into consideration possible effects in for instance the food sector.

Another problem is related to the benefits of external effects or public goods in combination with the reasons for governmental support. The question is whether it is possible to defend and legitimate a policy favouring settlements and jobs in different peripheries within a Neo-classical theory, with its focus on perfect competition and free trade. The reason for such a policy is that the good; i.e. the periphery or the cultural landscape is conceived of as being of great value for individuals and the society. The fact that something, in this case peripheries and cultural landscapes, are regarded as valuable, does not legitimate aid or support because other countries might do the same for quite other phenomena; i.e. we are in lack of a common set of criteria or rules for legitimating subsidies. Otherwise, the perfect competition soon turns out to be rhetoric without content. As a result, we have to focus on what reasons the governmental policy rests on.

A preliminary conclusion: Within a Neo-classical perspective it is difficult to defend or argue for supporting or subsidising peripheral regions or cultural landscapes, which due to specific economic processes experience decreasing activity levels and net out migration, at least when the economic processes function according to the book. However, additionally, we face problems due to the fact of public goods characteristics being mixed up with external effects.

7.3 Criticism of the Neo-classical perspective

The theory of Neo-classical economics is criticised for lacking a proper understanding of what role space plays; a lack of understanding

of institutional factors; and to be based on a narrow-minded view on the human nature; i.e. the maximising, rational actor having complete information. Regarding the economic rationality hypothesis, its focus on rationality is both a strength and drawback, strength because it has been able to formulate advanced and consistent models with predicting power, and drawback because the models are of a highly abstract nature far removed from everyday life, actions and events. The assumption of maximising has for instance been criticised by the Nobel price winner in economy Herbert Simon (1982), who argued for actors as characterised by bounded rationality and a satisfying principle instead of the maximising behaviour. Additionally, if not everybody, so at least a lot of people also possess a degree of altruism, resulting in spending money on purposes or persons without expecting something in return.

The principle of satisfying does not rule out the need for or wish for profits, and indeed one might argue that the competition in the market force the competitors to strive for profit maximising. If one accept this objection it is still true that the different assumptions regarding motives and behaviour will foster quite different types of justifications for the actions which are taken. For instance, money may well be spent on purposes, which in the perspective of an «economic man» is waste of money, but quite contrary is reasonable within a satisfying perspective. Another objection to the satisfying principle is that the theory were formulated under the «Fordist» age of production, characterised for instance by stable relations in the labour market and a steady economic growth, whilst the today situation, of many termed as Post-Fordism, is far more unstable, fluctuation and market driven. Additionally, the financial capital sector has grown stronger, having much more to say for the economy than earlier, with a focus on expectations regarding increasing and decreasing values in the stock market or other markets of investments. Furthermore, causing a rising attention and need for a rapid, speculation based profit maximisation, not connected to the long-term investment perspective dominating the industrial capital.

Anyway, the satisfying principle helps us pay more attention to the dominating mode of exchange. Reciprocal and associative relations combine to define modes of exchange, and each society is characterised by a specific mix of reciprocal and associative elements. The concrete mix varies historically, and between different societies and communities at a particular moment in time, within both the formal and the informal economy (Mingione 1991). A focus on modes of exchange is also a focus on institutions because of the importance of how things are organised, and its effect upon the allocation and

accumulation of resources and wealth, both socially and geographically. Within this perspective producers ought to take into consideration the regional and local dimension when choosing trading partners and subcontractors. In spite of the possibility of buying a good somewhat cheaper farther away, the local supplier might be chosen due to the fact that it helps sustain the industrial and social milieu, regionally or locally.

The local and regional dimension forces us to be more conscious about the concept of space, which might be defined in various ways. Firstly, it might be defined as a pure absolute category and container for different social and natural phenomena. Secondly, as a relative category making space to a factor with the power to explain or contribute to the explanation of different patterns and processes. And thirdly, the concept might be defined as a relational category making space to an aspect of the processes and phenomena under study but not as an independent explaining factor. Obviously, both the relative and relational concept of space conceptualises places and territories as core dimensions for any economic system. The belonging of place, social milieu, cultural milieu, and nature are established as embedded in the assessment of actions and enterprises, due to their independent position, and not only as elements represented as profit.

Furthermore, the Neo-classical theory is actor based, lacking structures. Obviously, taking structures into consideration creates a different basis for assessing the allocation and accumulation of resources and wealth. Societal aspects are far more important, although this does not automatically mean the same as external effects and public goods. But, often the means for changing existing patterns, processes and situations are of a different nature, dominated by structural relations, power and dependencies in an industrial context, with earnings, gender, and ethnicity and so on popping up.

7.4 A structure-agency approach

Based on these objections it is possible to work out a range of approaches differing from the Neo-classical theory outlined above, alternatives which are significantly different regarding how economic aspects are treated together and compared with other types of factors. In this report we restrict ourselves to one different approach, namely a structure-agency approach, which on the one hand acknowledges the fact that choices are not made on a free and independent basis, but instead locate place within structural frames which lay down premises

for actions and events. On the other hand, agency contributes to the strengthening of or the gradual or radical change of the dominating structures. The processes are characterised by an interaction, a reciprocity or dialectic between different or contradictory variables and factors. Time-space-matter is embedded in these processes. Therefore, actions and events always take place in reality, wherein space and time, together with the material basis, function as premises for the actions taken, while simultaneously being written in and read off the same elements, as physical representations and interpretations of symbolical character, often as a societal heritage.

Time-space-matter might in itself be conceived of as structural elements, but they are also elements in social and cultural relations. In that way we get socio-spatial structures at different geographical levels: i) At the global scale, we find centres of management and control regarding the overall global flows of capital; ii) at the regional level, there are production systems creating a regional profile and common ground for interaction and co-operation, iii) at the local scale, residential areas dominated by specific classes or class fractions appear. The situation at every level is maintained and changed through socio-spatial praxis.

It is still possible for the system to be dominated or characterised by the economic rational profit maximising actors and related structures. The only variation being processes having space-time-matter embedded. But, on the other hand, Plummer et. al. (1998) argues that a behaviour seeking total profit maximising is a theoretical impossibility in a spatial system, due to an economic reality of 'an evolving, complex, and conflict-ridden spatio-temporal system, characterised by equilibrating and non-equilibrating tendencies' (page 577), making uncertainty a dominant factor. Instead, they argue for the principle of maximising the rate of profit, which obviously has far reaching consequences for how the observed patterns are explained and furthermore what kind of means which are chosen in relation to specific interventions. We choose not to elaborate on this line of reasoning. Returning to the structure-agency approach, the structural element open up the possibility of dysfunctional processes in the interaction between actors and societies, or micro and macro level, as shown by game theoretical arguments.

In general, the combination of structure/agency and space-time-matter makes communities and places to embedded elements of the production system and the economic processes. The predisposition for, or relation to, a community may take command over the pure economic goals. Subsidies in favour of peripheral areas, agriculture or

cultural landscapes will also face territorial questions, not only when considering limits for areas receiving support, but also in connection with the concrete analyses. Therefore, the observed pattern is an effect of actions and events having time-space-matter as embedded components. Power positions in specific modes of exchange come to the forefront in the form of centre-periphery relations. As a result, subsidising peripheral regions might be anchored in reasons of compensatory nature related to systemic in-equalities produced by processes, including economical interactions.

A focus on other principles than the pure economic ones justify governmental interventions in the economy based on quite different reasons than arguments related to the market imperfections of the Neo-classical theory. The problem, though, is what types of criteria are accepted as legitimating governmental subsidies within the frames of an international treaty. That question is the focus of the next section.

7.5 Grounding a regional policy favouring peripheral areas

We start by giving an overview of Norwegian policy documents on regional matters presented by different governments during the last 20 years, aiming at revealing the main targets and justification for the policy, assuming that there are parallels in approaches within the Nordic area. Of course, different policies might not fit each other very well, quite contrary they might turn out to be incompatible, or require compromises, a question we choose not to take into consideration.

7.5.1 The Regional white paper to the Parliament in 1980/81

The Regional white paper; Regional Development and Regional Policy, tells us that ‘Through the regional policy the aim is to co-ordinate the effort of developing geographical balance and good living conditions in every part of the country. The regional policy contains attempts for strengthening the living conditions in poorly developed areas.’¹⁷ (The Regional white paper to the Parliament, No. 55 (1980-81), page 19). However, it is also said that the burden of poor welfare

¹⁷ The translation into English is ours, as is the case for all the other quotations from different White Papers.

in certain areas might be compensated by above average welfare on other indicators, causing a high proportion of judgement in comparing the welfare level in different parts of the country.

The general objectives in the White paper are said to be 'to attain full employment in both a short and long perspective; create new jobs and possibilities for industrial production in order to maintain the settlement in general; distribute the burden between groups and areas in a socially fair way in order to make the toll on the poorest as soft as possible' (page 39). The regional policy is meant to 'prevent regional inequalities between the different parts of the country' (page 39), including both quantitative and qualitative aspects.

However, big differences in natural conditions, industrial structure and settlement patterns make it impossible to achieve equality regarding each welfare indicator. Instead, it is the total situation, which is meant to be satisfying. However, 'access to wage labour, education, health services and housing are of basic importance for human welfare, and the inhabitants of each community should have access to the most fundamental and basal goods and services' (page 39). The settlement ambition is concretised as net balance between the opposite migration flows within each part of the country and each county. But the report propose that 'the main principle is that activities and functions regarding manufacture, services and private and public activity, should be located at the lowest possible geographical level where they might function in a satisfactorily way and be developed further. In economic terms, natural resources should as far as possible be exploited and processed in the area where the resources are found' (page 40).

Concerning the agricultural activity the White paper states that 'The development within agricultural and fishing industries does have a strong importance regarding employment and the settlement pattern in the periphery. Therefore, it is necessary to co-ordinate the regional policy and the general aims and means which are applied within the agricultural policy. Subsidies within the agricultural policy shall stimulate the utilisation and processing of resources in peripheral regions' (page 41-42). But, the development of the agricultural sector is characterised by a decreasing number of farming units all over the country, mostly in Northern Norway, causing an increasing share of the agricultural activity to be located in Eastern Norway.

7.5.2 The Regional white paper to the Parliament in 1984/85

The next report; Regional Planning and regional policy, states the main goals to be ‘to maintain the structure of to-days settlement pattern, work to secure equal welfare levels and a balanced exploitation of resources in every parts of the country.’ (The Regional white paper to the Parliament, No..67 (1984-85), page 5). In this respect, the general regional policy is about the development of industrial, settlement and welfare matters, while the policy focusing on the peripheral regions aims at solving problems in poorly developed parts of the country. The opinion of the government is that the policy for peripheral areas is necessary in the foreseeable future in order to get rid of regional inequalities regarding welfare, especially access to wage labour.

The main challenge for the policy, therefore, is to ‘offer wage labour to every body who wants, also in the least developed regions’ (page 6). Additionally, it is underlined that a weaker demographic development represents a challenge for the regional policy. The underlying aim regarding the policy for peripheral areas is said to be ‘a reasonable stability at the level of daily commuting regions’ in order to enable individuals to find new jobs without being forced to migrate. In spite of the fact that the general welfare level has been significantly strengthened, inequalities still exist between groups and regions, being a target for the regional policy.

The White paper settles that ‘the practical aim for the policy favouring peripheral regions is to contribute in developing companies and communities with a growth potential’ (page 98). But the claims for restructuring and development according to the market have grown more intense during the later years, the Paper tells us. Traditionally, the policy has focused on stimulating manufacturing firms to locate in peripheral regions, but the time has come for a stronger focus on other types of industries, according to the report, although manufacturing activities still may play an important role. Developing local industrial competence and qualifications are seen as the main challenge, which also relates to the fact that the periphery is conceived as lagging behind educationally.

Reduction of the agricultural activity is still a fact, especially in Northern Norway, while the situation due to structural shifts is better in Eastern Norway, and the counties of Rogaland and Trøndelag. Farmers are more often combining farming with other types of wage

labour, a tendency the policy should stimulate, we are told by the White Paper. However, in poorly developed regions a policy for combining farming with other types of occupation is admitted to face big challenges, requiring an overall planning for adjustment and co-ordination between agriculture and other industries. The report is also quoting a report from "The Committee of the Interior" (Innlandsutvalget), appointed in 1981, stating that in spite of the expected decrease in agricultural activities, it should still be an aim to maintain to-days activity level in weak industrial areas in the interior of Southern Norway.

7.5.3 The Regional white paper to the Parliament in 1988/89

In addition to repeating the general goals about settlement and welfare, the next White paper to the Parliament, states that the regional policy to a larger degree has to take into account the development of the big cities, due to increasing environmental problems, land conflicts and social inequalities. As a result, we observe a certain twist of the policy focus and allocation of resources (The Regional white paper to the Parliament, No. 29 (1988-89); A Policy for Regional Development). On the other hand, for the first time in the period under consideration, a well-founded justification for favouring peripheral areas are given, and five reasons are underlined:

- Social stability and the feeling of belonging to a specific place are important in order to create safety and well being for individuals and families. A fact, also having a geographical dimension. A too strong inequality regarding the standard on services and welfare cannot be accepted. Therefore, a policy contributing to regional stability will have positive effects for each of us.
- A fully inhabited Norway is of strong national interest, due to cultural factors, civil and military defence. As a result, the settlement pattern has a value in-itself.
- In order to reach the wanted growth level, it is necessary to engage all available human and natural resources in a reasonable way. (- - -).
- Both private and public activities suffer from strong and rapid centralising tendencies. Congestion and pollution emerge as problems, making construction of roads, school buildings and cleaning plants necessary. (- - -).

- A regional policy favouring peripheral areas is required in order to lower the pollution from Norway threatening the global ecological balance, and reducing environmental related problems regarding health and well-being in Norway. (Page 35).

The report relates the settlement goal to an assumption about the effects of belonging to specific places, due to roots, and residential choices. But simultaneously, stressing that the regional policy shall equip individuals with the possibility to determine on their own where to live, a policy, which it is believed will contribute in maintaining the overall settlement pattern. The reasons for the statement that an inhabited Norway is a value in-itself are said to be the maintenance and sustenance of regional variations, as well as civil and military defence. An inhabited country is seen as an important way to emphasise the national sovereignty. On the other hand, migration in itself is not considered as bad or something negative, but the policy are meant to ‘(- - -) contribute to lowering that migration which is perceived as forced, and the commuting which is perceived as a burden’ (page 40). A balanced and stable settlement pattern contributes to a better welfare situation, and the policy therefore must be ‘a regionally anchored (1) growth-, industrial- and employment policy; (2) a welfare-, service-, and cultural policy; and (3) a land-, resource- and environmental policy’ (page 40).

Specific means towards the peripheral industries are also necessary due to a one-company based industrial structure, lower profitability levels, and a high share of resource based industries. Restructuring is meeting obstacles because of small industrial milieus, a too narrow competence width and at too shallow competence depth, but the most important bottleneck is said to be the supply of competent personnel to the different industrial activities. The strengthened competition requires increasing competence, while the peripheral areas face problems in recruiting persons having the necessary level of competence, and simultaneously the distance to national and international milieus of competence push industries located in peripheral areas into backwardness regarding developing competence, we are told. Less favourable financial conditions is also mentioned, together with generally lower net capital and weaker profitability.

‘Agriculture is an important industry for the peripheral areas’ (page 44), but the report also stress the potential conflicts between production and productivity on the one hand, and the policy favouring peripheral regions and environmental goals on the other hand. The tendency towards decreasing number of farms is confirmed, but at the

same time there is said to be a demand for about 20.000 new farmers before year 2000, due to the age structure among farmers. The regional based transfers within the agricultural sector have taken a more peripheral profile; i.e. a larger share goes to industrially poorly developed regions. And 'because of the importance of the agriculture for a viable peripheral Norway, the policy will strengthen its efforts for reaching combinatory solutions within both the agricultural sector and relations to the rest of the industry.

7.5.4 The Regional white paper to the Parliament in 1992/93

'The next Regional paper to the Parliament, (City and Country Hand in Hand; The Regional white paper to the Parliament, No. 33 (1992-93)), contains an even stronger focus on the biggest cities through its effort for including cities in an overall regional perspective. Different regions play different roles in the nation's general economy, and the profitability for the economy as a total is a consequence of regional based interaction, co-operation and competition. The policy seeks to develop viable regions in every part of the country. One of the most important assumptions behind this goal is a higher employment and value-added level for the country as a whole. Employment problems are no longer seen as a specific peripheral problem, but as much a problem to occur in the big cities. The periphery has its advantage in the exploitation of important natural resources, while the city regions are important competence and innovation centres the Paper states.

The goal about viable regions includes a '(- - -) balanced demographic composition, and equal employment and welfare conditions. The main aim for the regional policy is to maintain the overall settlement pattern. The aim for the governmental effort is to make peripheral areas as real alternatives regarding location of industrial activity, and accessible residential alternatives for the population' (page 6). A core reason for the regional policy is to maintain the overall settlement pattern in the Norwegian periphery in order to create an effective and sustainable exploitation and processing of available resources.

(- - -) Peripheral areas contribute to maintaining our cultural traditions. Our dispersed settlement pattern is an important part of the Norwegian way of living, and contributes to the plurality in the cultural heritage. Maintaining and developing our specific cultural heritage is of importance in itself, and furthermore, it is an important precondition for industrial development in a lot

of peripheral municipalities. (- - -) Rapid changes in the settlement pattern cause huge economic costs to occur for the society as a whole; i.e. through sub-optimal use of existing infrastructures in the areas characterised by net out migration, and social problems in the areas experiencing strong net inflows of people. In addition, increasing net inflows of people can lead to increasing pollution, capacity problems within the transport sector, and increasing press on the municipal finances. (Page 7).

Regarding the policy for creating industrial activities, the White paper underlines that the chosen means are supposed to increase the employment and profitability at company level, and furthermore, that the means shall be concentrated to a smaller number of receivers. In addition, the subsidies to small and medium sized companies also include those located in central areas; and that the area targeted by the peripheral based company subsidy must be restricted geographically compared to the existing situation. New criteria for geographical target area under the regional policy favouring peripheral areas should focus on drawbacks due to long distances and low populations densities, a policy which at that time was a preparation for a membership in the European Union, a membership not being realised.

The reason for agricultural activity is generally said to be supply of food. But, additionally, the maintenance of the cultural landscape is important, and it is underlined that the agricultural activity, together with other types of production based on natural resources, stimulates or makes value-added activity in other parts of the value chain possible. In spite of the decreasing activity in the agricultural sector in the period 1980-90, agriculture still plays an important role for the employment in peripheral areas, and in particular Western Norway and the interior of Eastern Norway. Once again, the White paper stresses that the agricultural policy must be formulated and practised in a way which channels a relatively large share of the overall transfers to areas where the agricultural sector is important for employment and settlement, and once again, the policy prioritise full-day farmers.

7.5.5 The Regional white paper to the Parliament in 1996/97

The last report; On the Regional and Peripheral Policy, repeats that the 'Aim for the policy is to maintain the overall structure of the settlement pattern, and develop viable regions in every part of the

country.’ (The Regional white paper to the Parliament, No. 31 (1996-97), page 30). In order to reach that goal it is necessary to allocate more resources to certain regions than others; i.e. regions characterised by low population density, big distances and peripheral locations. The basis is still to be a sound economic policy, paying attention to profitability and industries having a growth potential, in every part of the country, which in sum make up the basis for vigorous regions, but within the frames of a sustainable development. The reasons for a regional policy towards the peripheral areas are:

In order to increase the profitability and establish the best possible fundament for welfare development, it is necessary to engage all kinds of resources and possibilities in every part of the country. (- - -) A too rapid change in the settlement pattern may cause unnecessary economic costs for the whole society because of sub-optimal use of the infrastructure in the out migration regions; and social problems, increasing pollution and congestion problems in central regions. Therefore, it is of national interest to pursue an active regional policy, favouring peripheral regions. (- - -) The plurality of settlements and ways of living, based on regional distinctions and variations, are also important aspects of our cultural heritage. The natural and cultural landscape in different parts of the country contains qualities and variations, which are important features of the national identity. The opinion of the government is that an active regional policy, simultaneously anchored in regional and local identity, value-based viewpoint, way of life, and culture, gives important contributions to the maintenance and development of what makes Norway special. Features, which furthermore are important preconditions for industrial development in many peripheral municipalities, especially within tourism, through the access to unspoiled nature and to distinct Norwegian culture. (Page 30).

The need for strengthening the co-operation between urban and rural areas, or centre and periphery, is stressed through the focus on the qualifications and competence in the periphery regarding the production of resources like energy, land, forests, minerals and fishing. On the other hand, cities have its advantages within advanced and high technology industries. Additionally, the White paper stresses the regional level, concretised to counties, as more important than

earlier, especially through the establishment of a new planning instrument, the Regional Development Programme.

Regarding welfare conditions it is settled that equality functions as a precondition for reaching the aims of the regional policy. 'Securing the inhabitants equal welfare conditions, good employment solutions, and a good service supply, is the best way to create viable and vigorous regions, and maintain the settlement pattern. The government judge the employment and wage conditions, in addition to the right to education, as the most important preconditions for reaching a good welfare level for everybody' (page 16-17).

The agricultural policy shall '(- - -) secure an extensive and cost effective agricultural production in Norway, which might act as a fundament for employment in agriculture and processing industries' (page 7). Furthermore, 'The agricultural sector still has to play a central role for the efforts to develop viable and vigorous peripheral regions' (page 7). The White paper stresses that the policy for getting cheaper food must continue, but add that this must pay attention to and in a sufficient way realise regional policies. As a result, the profitability and production level in the agriculture located in peripheral areas must be maintained, in addition to the efforts for establishing new industrial activities in communities where agricultural activities play an important role.

A sustainable agricultural activity in different parts of the country is conceived of as being a '(- - -) precondition for maintaining the varied landscape, with its cultural landscape values. The cultural landscape and the cultural milieu are of importance for the market, and therefore important to utilise in the industrial development' (page 24).

7.5.6 Differences in the political landscape

There are some variations between the different political parties regarding what geographical level the settlement pattern is to be upheld on, and what role the agricultural sector is expected to play in that respect. However, the similarities are standing out, with the exception of one political party; The Fremskrittspartiet, whose viewpoint is well stated in the following (Innst. S. nr. 140, 1992-93):

Shall Norway as a nation manage to increase its competitiveness; it seems to be obvious that the ambitions regarding the regional policy favouring peripheral areas must be lowered. (- - -) Instead of trying to maintain the settlement in every peripheral community

or municipality, the aim should be to stabilise the settlement on a higher geographical level, as counties and parts of the country. Consequently, politicians should accept a decentralised centralisation where larger centres and cities are built up, if that follows as a consequence of a natural economic development. (- - -) Instead of clinging on to an artificial and sub-optimal settlement pattern, growth centres, which also have positive effects, through the multiplier effect, for the periphery should be stimulated. (- - -) The most effective and natural regional policy is to be found in a free labour market, wherein companies quite naturally will establish and locate plants where the supply of resources and a qualified stock of labour are most suitable to the requirements within particular production processes. In combination with wage negotiation on plant, or company level, this will create a natural development of the settlement pattern, and a profitable industrial sector all over the country. (- - -) Therefore, a competitive Norway requires a shift of its regional policy, based on two principles. Firstly, the industrial- and settlement pattern is allowed to follow its natural development; secondly, public efforts, as infrastructure constructions, and the like, must be located to places, or sites, experiencing the strongest need and where the impacts are expected to be highest. (Pages 146-147).

7.6 Summing up the policy review and discussing the reasons for the policy

The regional policy in Norway has been relatively stable, but with some changes. Furthermore, the policy has been motivated through a wish to maintain the settlement pattern in Norway, and to equalise the welfare situation in different parts of the country. The view has been that peripheral regions in Norway have been relatively poorly developed industrially and educationally, causing a lower welfare level than in the rest of the country. Embedded in this policy we find a strategy for developing and legitimating the Norwegian national state, a strategy which require support to those parts of the country which lag behind. Simultaneously, a strong reallocation and modernisation follows, but also a decentralising perspective exemplified by a policy for processing resources nearby. During the 1990s, this particular

policy has to a certain extent been replaced by a policy focusing on the country as a whole. Furthermore, the ability to compete on an international, or global, economic arena including an acceptance of the role of the bigger cities as cores of innovation and development of the country as a whole, is stressed. And, additionally, trying to establish viable and vigorous regions, which are able to function well without public subsidies and support, is at the core.

The reasons for the policy have also been fairly stable, after the formulations in the 1988/89-report. Firstly, we find an opinion stating that the individual utility is best cared for when enabling individuals to continue to live where they have grown up, if they wish to do so, a wish they are believed to have. Secondly, the settlement and its role in the construction of the national fundament, where the settlement pattern has a value in-itself, and as a bearer of essential national traditions and a distinct Norwegian culture, both as pure culture and as cultural landscapes. Thirdly, we have the utilisation of resources; and fourthly, to prevent negative impacts of the problems caused by a strong centralisation. And, finally, the opinion stating that a decentralised Norway contributes to a reduction in the pollution level. Let us consider each of the five reasons in turn:

7.6.1 Residential arguments

The claims about people's residential preferences do have backing in empirical studies (Orderud & Onsager 1998). However, in relation to a policy for maintaining the settlement in peripheral areas, a strong focus on continuing to live in their home areas is a kind of double-edged sword. This is because the future might require a net in migration to peripheral areas if the settlement level is to be maintained. However, if we take into account the existing residential preferences, this is no impossibility due to the fact that about half of the population growing up at particular places express a desire for migration. The challenge, of course, will then be to stimulate a large enough number of people to settle in more peripheral areas than they have grown up in. In a Neo-classical perspective this is about each individual's utility and corresponding preferences. The question, though, is, as underlined above, whether this is sufficient to legitimate a support, or subsidising policy, because settlement in a way or another might be used as an excuse for continuing to channel resources to specific industries and specific regions. A decisive moment in this regard must be whether the region experience decreasing population levels in absolute terms. Are resource transfers to growing regions equally acceptable? Or is the loss of shares in

relative terms not as important as loss in absolute numbers? However, in a Neo-classical perspective, it is still the case that a policy like this will lower the economic growth potential for the society as a whole, because it creates obstacles for the transfer of both capital and labour resources from less to more profitable sectors in the economy. Thereby, the policy collides with the Neo-classical theory of profit maximising.

The reasons for enabling people to continue to be settled in their home regions are obviously easier to accept in a perspective based on time-space-matter and structure-agency, especially the space dimension, than what is the case for a theory which has assumed away the spatial dimension. The Neo-classical perspective will tend to perceive the right to housing as the right for a dwelling wherever it is accessible, or wherever a dwelling is accessible at the moment. On the other hand, in a structure-agency perspective, where the spatial dimension is as an embedded element, it is possible to defend the acceptance of the right of housing to be the right to dwell. As formulated by the distinguished Norwegian architect Nordberg-Schultz, to reside at a place characterised by the feeling of belonging is a fundamental human desire. Consequently, the society might consider it as reasonable to contribute in maintaining the settlement pattern in order to let as many people as possible having the opportunity to fulfil their feelings of belonging to a particular place.

However, the question is how individual wishes relate to the structural conditions. It is possible to imagine that the place belonging might cause the strengthening of bad, not wanted or not acceptable socio-spatial structures on different geographical levels. For instance, a too strong focus on the hometown, eventually the neighbourhood, might restrict the possibilities for people to migrate, and it might cause a cementing of existing socio-spatial inequalities through the existing distribution of wealth and power in a geographical setting. The policy for enabling people to continue to dwell at their places of origin, might tip over to a concealed policy for not accepting intruders into one's own community, a kind of balkanisation. As a result, it is not possible to isolate the assessment of hometown preferences from other purposes. On the contrary, requiring, as the regional policy reports also states that it is not the migration phenomenon, which is at stake, but the directions of the net flows, which might cause the erosion of the fundament for sustainable communities. In general, it turns out to be an assessment of individual and collective purposes. On the one hand, the individual wish to stay put or move on to other places and communities, and, on the other hand, efforts for maintaining vulnerable communities regarding the population basis and

composition without violating the wishes on the individual level, but instead stimulating the preferences of theirs. Such a policy would contain efforts for maintaining and creating jobs, for instance within agriculture, but also focusing on conditions of a more general nature related to the functioning of communities.

7.6.2 The settlement as a nation building device

The second policy reason, concerning the settlement pattern as a device for making a nation and maintaining territorial sovereignty, maintaining the cultural heritage, often as a symbol of national cohesion, but also as an acceptance and acknowledgement of the *raison d'être* of regional based traditions. Even Neo-classical economist would probably recognise the sovereignty of (nation-) states as a legitimate reason for supporting and subsidising specific regions of great national interest. It is a kind of public good. But it is far from obvious that whichever (peripheral) region might receive (economic) support under the heading of sovereignty, cultural heritage or national cohesion. For instance, it must be sovereignty to claim; i.e. not claiming the sovereignty might cause a weakening of or disappearance of sovereignty, and an intrusion of competing or hostile powers. The support to Northern Norway might be categorised under this heading, while it is far more susceptible to defend support for the interior of the Eastern Norway in this way. However, within the Neo-classical perspective it might be argued that fulfilling sovereignty purposes might be done using a smaller amount of resources if money is given directly instead of being channelled through different industries. In addition, the praxis of production related transfers make everybody to claimants of subsidies. On the other hand, it might be countered that it is through active production that sovereignty, cultural heritage and a national cohesion are maintained, prolonged and developed.

The cultural heritage argument causes no problems as long as it deals with literature, art and craft artefacts, and single buildings, but faces larger problems when cultural landscapes are being included under the heading of cultural heritage. At least this is the case within the Neo-classical perspective, and the reason for that is that a specific cultural landscape is an external effect of different activities. Subsidising these activities cause by-products in the rest of the economy, and very often a deviance from an economic optimal allocation and utilisation of resources.

The nation building role of the settlement pattern; the territorial sovereignty; and preserving the cultural heritage are public goods, established on the basis of time-space-matter conditions and relations. Thereby, they function as structural premises for the actors, but they are premises and conditions, which constantly have to be confirmed in an ongoing societal interaction in order to be maintained. That is also the case for the cultural landscape, although it might be changed in a more slowly way than other types of cultural expressions.

A perspective based on time-space-matter within a structure-agency frame, where the actors are something different than the economic-rational profit maximising, must be conscious about the settlement pattern and cultural landscape as elements in the process of nation building or disruption, due to the territorial role these elements are playing. But the conclusion is of course not automatically that the periphery, the cultural landscape and the agricultural industry have to be preserved if the development takes another path. Societies have tried to break off from or suppress the historical heritage by creating new symbols and new constructions in the built environment; i.e. the cultural landscape, as was the case in the former Soviet dominated Eastern Europe, having a lot of bizarre consequences.

Although time-space-matter is an embedded part of the approach, it cannot be taken for granted that the periphery and the agriculture play an active part in constructing the nation, or that the corresponding cultural landscape is seen as worth preserving and maintaining. Constructing the nation might as well be used as an argument for centralisation and prioritising the bigger cities, as is done today in relation to the emerging economic and cultural globalisation. Decentralisation must in itself be judged and seen as something worth going for, and the historical heritage being something the society wants to preserve and develop, whether the reason is commercial purposes in a tourist based world society or the collective roots in the society.

7.6.3 The resource utilisation argument

The third policy reason concerns the resource utilisation and the aim of keeping the whole country in use. This is neither about public goods nor about external effects, but related directly to the production. The argument is not very resistant towards the principles of the Neo-classical theory because a need for subsidies in order to utilise the whole country shows that it is not economically profitable. However, it might be argued in favour of support if the reason for the lack of

activities is related to market imperfections due to for instance monopolistic powers making specific regions redundant. But, as argued above, it is only possible to defend this type of support in short or medium terms, while the long term policy should focus on getting rid of the monopolists, or the mechanism creating the opportunities for monopolies to emerge and thrive.

Many of the moments considered in relation to the nation building argument are relevant also for the resource utilisation argument. But, a total perspective on the different industrial value chains is more easily acquired in a structure-agency approach than in the Neo-classical theory because of the structure-agency search for hidden, or concealed, relations, not directly observable. As a result, the food value chain is being analysed in order to reveal dependencies of both positive and negative character. And it might be concluded that the agricultural activity should be subsidised because of its core position in the entire value chain and because of the wish to utilise the entire country.

7.6.4 The congestion argument

Congestion problems are in Neo-classical terms a pure external effect of a negative kind, which make it legitimate to try to prevent those effects or soften the effects, but it is far from obvious that the conclusion is to support and subsidise the settlements and production activities in peripheral areas. Short and long term effects are once again decisive. A policy for preventing migration to central areas is more acceptable in the short run, while continuing net migration flows to central areas in the long run may cause a claim for solving the problems through undertakings in central areas. Or the policy might channel growth to areas or regions nearby the congested region, in spite of net migration flows from the periphery. The reasons for such a policy are linked to gaining a more optimal resource utilisation and benefit for the society as a whole.

Analysing congestion problems from an agency-structure point of view means looking for basic and underlying processes and mechanisms. Because of the embedding of time-space-matter relations the analysis automatically contains territoriality. As a result, centre-periphery relations comes on the agenda, together with dependencies and interactions between actors and structures in a territorial system, wherein regional based relations of exchange are consolidated and strengthened within the existing mode exchange of resources. A situation characterised by central, urban regions as

economic and institutional centres of power controlling both the flows of capital and symbols occurs. However, a policy favouring peripheral areas and agricultural activity is not an inevitable outcome. Often, the decision-makers are members of the central power elite, and it is easy to imagine a situation characterised by strong competition over limited resources, causing even subsidies aiming at pain-relieving to be hardly accessible. The opinion might very well turn from restraining the flows of jobs and population within the borders of the periphery to concentrate on a few bigger centres in order to solve the congestion problems where they show up. However, then it appears as a conscious spatial policy, and not as some sort of abstract Neo-classical profit maximisation in a space-less reality, and thereby the policy is made contestable and open for criticism on a broader scale, and not only on the basis of deviations from cost-effective perspectives.

7.6.5 The pollution argument

The fifth, and last policy reason, was about pollution, which also is an external effect, and thereby a legitimate reason for market intervention within a Neo-classical framework. However, the hypothesis stating lower pollution levels due to a more decentralised settlement pattern is far from generally agreed upon. Firstly, one has to specify whether the conclusion is about the centralisation process or rather about different levels of centralisation. The process might very well cause increasing pollution levels, while the final, and more centralised pattern, might cause a lower pollution level. This is a matter of dispute, though, which is not possible to conclude here and now.

But, if we take for granted the hypothesis, what should be done in a Neo-classical perspective? The most obvious strategy is to apply a policy which forces the activities in central areas to take into account the pollution related costs they are causing; i.e. the polluter pay principle, thereby making it more profitable to look for other solutions. Of those solutions, relocation might be one alternative, but then as well to regions and places in mid-central regions as in peripheral regions, depending on what turns out to be most profitable. A policy for subsidising companies and plants in peripheral areas might easily face objections due to their distorting effect regarding the market participant's assessment of what is profitable or not, and thereby causing an economically sub-optimal pollution level.

The question of pollution in relation to a decentralised versus centralised society is not resolved in a structure-agency perspective either, but taking the decentralisation hypothesis as given, the question

is how an analysis based on the structure-agency approach will look like. If the result is that the observed values on the chosen indicators confirm the hypothesis, the next step will be, if we want to come to grips with the underlying mechanisms, to go into more in-depth analysis. Thereby, we might reveal the «nuts and bolts» between pollution and actions and events related to processes including both actors and structures. An integrated part of this approach would be descriptions and explanations, which pay attention to the pollution process, and furthermore, reveal the embedded power- and distributive relations. A policy for reducing the pollution level is not the same as a policy for maintaining settlements and industrial activities in peripheral areas because the analysis may reveal a stronger effect of the interventions if they are put into action at other places or in other regions. For instance, regional differences might be the result of varying industrial compositions, or that the processes in a time-space-matter perspective require an effort in central areas if the pollution level later on shall be lowered. However, it might just as well be the other way round.

Irrespective of a conclusion in favour of the decentralisation or centralisation hypotheses, the structure-agency approach contain a broader set of instruments than the Neo-classical perspective because of the latter theory being tied so intimately to a total profit maximising behaviour. On the contrary, a strategy for reducing the pollution level does not have to be justified economically, and institutional regulations are more easily defensible within the structure-agency approach. But, of course, the economic aspects might as strongly as in the Neo-classical perspective be chosen as the rule of the game, depending on the ruling policy.

7.6.6 Some general problems regarding the regional policy

Discussing the reasons for having a regional policy favouring peripheral areas has revealed the public reasons for such a policy, but simultaneously shown that many of these reasons do not stand a closer examination on the basis of Neo-classical theory. Partly, the problem is to get acceptance of purposes not being a matter of economic rationality concerns. Such concerns are easier included into the perspective based on the structure-agency approach with a time-space-matter fundament. But neither within the last perspective do we find any argumentation automatically leading to a policy favouring the maintenance and development of industries and population in

peripheral areas. The concrete policy effort has to be defended on its own basis.

Another problem is that although people have preferences for peripheral areas, the decisive point is how strongly it is supported in the population and among politicians. Very seldom the situation is characterised by a, or close to 100 per cent sympathy or acceptance, either the reason is that people does not look at peripheral areas as worth maintaining and preserving or because the experience or adventure is considered as weak or insignificant. Although the political sympathy for subsidising and supporting peripheral areas still seem to be strong, we observe a growing opposition and critical view on regional policy matters, with a stronger emphasis on a policy favouring big cities. And the policy for maintaining the settlement pattern is criticised for not being realistic or not being in accordance with the observed realities, and as a result, awaiting a long wanted revision. Therefore, there are signs of erosion regarding the sympathy for peripheral areas and agriculture.

Additionally, conflicting interests are still in function; i.e. preferences for maintaining peripheral areas and the agriculture might exist side by side with preferences for cheaper food; the establishment of core areas for large, preying mammals; or the general natural preservation areas. The preservation policy is partly related to the preferences among urbanites for recreation and adventure motivated leisure. Those needs are to a certain degree in conflict with traditional industries in peripheral regions. However, preferences for preserving the cultural landscape in rural areas are also to a certain degree rooted in the urban population and their need for recreation and wish for consuming beautiful scenery. On the other hand, a policy for freezing an existing situation will often be in conflict with a development periodically causing changes, considered as negative by the consumers. And, furthermore, the policy for freezing a situation might alter the situation because of the interruption into the processes, which create the same situation.

7.7 About human rights and the settlement question

The above discussion revealed a lack of a common frame of reference for accepting the use of subsidies or support for peripheral areas. We might find what we are looking for in the international agreements on human and social rights. These charters have been formulated in a

general way, and thereby based on interpretations, which changes during the lapse of time. Therefore, statements in Declaration of Human Rights claiming the right to life, the right to health, and the right to a home are not interpreted in the same way today as it was forty years ago. For instance, we have witnessed a growing awareness of environmental concerns and correspondingly a discussion whether the right to a good milieu encompass the right to a healthy environment and the protection and preservation of the environment (Bugge 1998). The relevant question for us is whether these rights (and duties) do have a territorial dimension, which might create a basis for a claim to protect, maintain and develop communities in a sound way.

The human rights have traditionally been of an individual nature, wherein the individuals have been cut off from the links to spatial and physical surroundings. The focus has been on the right to move freely, and being able to leave places, but simultaneously not being expelled from one's place of living. Both concerns are about direct and open resort to power, while the hidden, structural forces have been let out. Nor has the dimension of belonging to a certain place, a local community, a region, etc., been formulated, but a thorough argumentation, including both direct and indirect processes and effects, would probably cause the spatial dimension to pop up. As a result, the place or territory as an aspect or dimension embedded in the rights would have to be accepted. The traditional interpretation of the human rights has been very similar to the Neo-classical perspective, with its focus on actors and phenomena lifted out of their spatial setting and forgetting what space is about. On the other hand, the structure-agency approach take into consideration space and matter, and the indirect relations, are underlying the phenomena under study, and thereby also relevant aspects and features of the different rights.

A follower to the Human Right Declaration; «International Covenants on Economic, Social and Cultural Rights» dating from 1976 tells us:

Recognizing that, in accordance with the Universal Declaration of Human Rights, the ideal of free human beings enjoying freedom from fear and want can only be achieved if conditions are created whereby everyone may enjoy his economic, social and cultural rights, as well as his civil and political rights, (page 1).

And Article 11 states that:

1. The States Parties to the present Covenant recognize the right of everyone to an adequate standard of living for himself and

his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions. (- - -)

2. The States Parties to the present Covenant, recognizing the fundamental right of everyone to be free from hunger, shall take, individually and through international co-operation, the measures, including specific programmes, which are needed:

- (a) to improve methods of production, conservation and distribution of food by making full use of technical and scientific knowledge, by disseminating knowledge of the principles of nutrition and by developing or reforming agrarian systems in such a way as to achieve the most efficient development and utilization of natural resources;

- (b) Taking into account the problems of both food-importing and food-exporting countries, to ensure an equitable distribution of world food supplies in relation to need. (Page 4).

The first of the two excerpts relate human rights to conditions enabling people to utilise their economic, social and cultural rights, as well as private and political rights. The place of living, which includes both the physical environment and the socio-structural environment, will have to be included as one of the necessary conditions, because if that basis erodes, an utilisation of the different individual rights will be undermined as well. Arguments of this kind might be considered superfluous in a world characterised by a steadily increasing mobility, also on a personal level, at least in the rich part of the world. In this world the flows of capital in the global system have a decisive impact on the welfare conditions for people, communities, regions, and even countries. But, still, most people live their lives in localities, and depend on those localities for creating sound communities.

The focus on housing and food, with a direct link to settlement and agriculture, as the second excerpt shows, contributes even more to the need for taking spatial matters into account. The crucial question, though, turns out to be whether dwelling and the food are cut off from the territorial dimension, making the right to housing to whichever house on whatever place and milieu. It is possible to argue for both the inclusion and exclusion of space, but traditionally, the interpretation has been closer to the exclusion alternative. Accepting the relevance of the spatial dimension, and thereby territorial matters, makes it much more difficult to jump from a certain place; i.e. the spatial inclusion choice, to whatever place. A similar argumentation is relevant for the food sector, but in that case the national and regional do have a

stronger position because of worsened insecurity levels related to increasing distances and border crossing.

The European Social Charter goes even longer in formulating concrete rights, and in the reformulated version from 1996 the following articles of importance for our analysis are found:

Article 1 - The right to work

With a view to ensuring the effective exercise of the right to work, the Parties undertake:

1. To accept as one of their primary aims and responsibilities the achievement and maintenance of as high and stable a level of employment as possible, with a view to the attainment of full employment;
2. To protect effectively the right of the worker to earn his living in an occupation freely entered upon; (- - -)

Article 16 - The right of the family to social, legal and economic protection

With a view to ensuring the necessary conditions for the full development of the family, which is a fundamental unit of society, the Parties undertake to promote the economic, legal and social protection of family life by such means as social and family benefits, fiscal arrangements, provision of family housing, benefits for the newly married and other appropriate means.

Article 17 - The right of children and young persons to social, legal and economic protection

With a view to ensuring the effective exercise of the right of children and young persons to grow up in an environment which encourages the full development of their personality and of their physical and mental capacities, the Parties undertake, either directly or in co-operation with public and private organisations, to take all appropriate and necessary measures designed:

1. a) to ensure that children and young persons, taking account of the rights and duties of their parents, have the care, the assistance, the education and the training they need, in particular by providing for the establishment or maintenance of institutions and services sufficient and adequate for this purpose; (- - -)

2. To provide to children and young persons a free primary and secondary education as well as to encourage regular attendance at schools.

Article 23 - The right of elderly persons to social protection

With a view to ensuring the effective exercise of the right of elderly persons to social protection, the Parties undertake to adopt or encourage, either directly or in co-operation with public or private organisations, appropriate measures designed in particular:

- To enable elderly persons to remain full members of society for as long as possible, by means of:
 - a) Adequate resources enabling them to lead a decent life and play an active part in public, social and cultural life;
 - b) Provision of information about services and facilities available for elderly persons and their opportunities to make use of them;
 - to enable elderly persons to choose their life-style freely and to lead independent lives in their familiar surroundings for as long as they wish and are able, by means of:
 - a) Provision of housing suited to their needs and their state of health or of adequate support for adapting their housing;
 - b) The health care and the services necessitated by their state;
- (- - -)

Article 30 - The right to protection against poverty and social exclusion

With a view to ensuring the effective exercise of the right to protection against poverty and social exclusion, the Parties undertake:

- a) to take measures within the framework of an overall and co-ordinated approach to promote the effective access of persons who live or risk living in a situation of social exclusion or poverty, as well as their families, to, in particular, employment, housing, training, education, culture and social and medical assistance; (- - -)

Article 31 - The right to housing

With a view to ensuring the effective exercise of the right to housing, the Parties undertake to take measures designed:

1. To promote access to housing of an adequate standard;
2. To prevent and reduce homelessness with a view to its gradual elimination;
3. To make the price of housing accessible to those without adequate resources.

Although, most of these Articles have a thematic content, except that the elderly are granted the right to live their lives in familiar surroundings, which ought to include relatives, we will argue that the spatial dimension and the place specific element cannot be neglected. The understanding and definition of the concept of space is crucial, and distributing people and phenomena in a container-like space tends towards acquiring a thematic perspective without taking into account specific places. That means distributing the phenomena on one or another concrete territorial categorisation, whether that categorisation is based on political-administrative or functional indicators as usually is done in the concept based on an absolute space. The concepts of space and place emerge as features, or dimensions, of importance when it is recognised that places, or more generally the space, do have an impact on the processes giving rise to the territorial categorisation, and as a result turns into relational aspects of the phenomena under study.

The right to work, the right to housing, the right to a decent old age, the right to a decent childhood, the right to a good family life, and the right to avoid social exclusion, are rights which can be derived from the general human rights. However, these rights cannot be seen as independent from the spatial and material structure, and thereby, they are related to places, although we do not have links to specific places, except for the elderly. On the other hand, we might argue for the existence of indirect links to specific places of living. Very frequent migrations might be a negative experience and have a negative effect upon the efforts for establishing and maintaining a social and cultural network. Furthermore, significant reductions in population levels in communities or regions might cause negative effects in both the out and in migration regions. These effects, in spite of being a peripheral and congestion problem, respectively, both stimulate processes weakening the possibility of gaining access to the different rights compared to the earlier situation.

Decreasing population levels contribute to a weakening of the basis for social and cultural life on places, and, thereby, it might be argued in favour of a policy contributing to maintaining the population level. On the other hand, if the population level sink below certain limits, basic services may be reduced or even disappear. A situation, which

might force the government to assess whether a policy stimulating the rest to migrate has to be put into effect, or on the contrary, the policy should aim at maintaining an acceptable service level through subsidies. The right of the elderly for living an independent life in familiar surroundings is an argument in favour of the last alternative, while the conclusion related to each of the other rights will be more disputed. For instance, the right of children and teenagers for a proper education might be a reason for a centralising policy.

The relations between rights and places have to a certain degree been settled, but not conclusively and indisputably, in spite of acquiring a relational concept of space, making the spatial dimension a feature of the rights as phenomena. A further argument relates to The Declaration of the Council of Europe regarding national minorities stating:

Article 4

1. The Parties undertake to guarantee to persons belonging to national minorities the right of equality before the law and of equal protection of the law. In this respect, any discrimination based on belonging to a national minority shall be prohibited.
2. The Parties undertake to adopt, where necessary, adequate measures in order to promote, in all areas of economic, social, political and cultural life, full and effective equality between persons belonging to a national minority and those belonging to the majority. In this respect, they shall take due account of the specific conditions of the persons belonging to national minorities.
3. The measures adopted in accordance with paragraph 2 shall not be considered to be an act of discrimination.
(Page 2).

Article 5

1. The Parties undertake to promote the conditions necessary for persons belonging to national minorities to maintain and develop their culture, and to preserve the essential elements of their identity, namely their religion, language, traditions and cultural heritage.
2. Without prejudice to measures taken in pursuance of their general integration policy, the Parties shall refrain from policies or practices aimed at assimilation of persons belonging to national minorities against their will and

shall protect these persons from any action aimed at such assimilation. (Page 3).

No concrete, specific places are mentioned in these Articles, either, but through the cultural and social life, through language, traditions and cultural heritage, the places of belonging are to be found. However, the governmental and public obligation in maintaining and developing a Lapp culture through the regional policy is considered in a White Paper to the Parliament on regional policy (St.meld.nr.33 (1992-93)). The Paper states that the question under consideration requires a proper discernment in order to figure out what can be seen as necessary to maintain Lapp culture. The local situation in regions containing traditionally oriented Lapp settlements, especially related to industrial matters, play an important role. In addition, the report states the opinion that the general minority claims will be handled within the general regional policy. The assessment and discernment seem to conclude that the public commitments towards national minorities include specific places, but that the policy is to be put into action within the existing frames. For us the most important conclusion is the expressed link between the general policy aim and particular places and regions.

The question, then, is whether it is possible to take the society's obligations towards national minorities as a general interpretation of actual human rights, and consequently, a reason for maintaining peripheral regions, or other types of settlements. On the one hand, a line of reasoning would highlight the specific historical heritage and actual situation, and the corresponding rights of the first-nation, the indigenous people, in their role as a national minority. Thereby, it is admitted that national minorities have a stronger need for territorial safeguarding, thereby excluding any transferability of the principle of a connection between people and land. On the other hand, it might very well be argued that granting one group of people the link to a specific area, represents a present-day discriminatory policy, and consequently the interpretation should be equal for everyone.

Leaving the discussion, our conclusion, however, is still that the Human Rights and Social Rights makes up a basis for judging the legitimacy of prioritising peripheral areas within the regional policy. This conclusion is fairly straight forward under a structure-agency approach, based on a time-space-matter perspective, due to the fact that the single rights exists in a spatial and therefore territorial setting, making it necessary to include places and regions in the assessments.

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