

Future challenges and institutional preconditions for regional development policy

- Summary from the first phase of a Nordic research programme

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Nordic co-operation

takes place among the countries of Denmark, Finland, Iceland, Norway and Sweden, as well as the autonomous territories of the Faroe Islands, Greenland and Åland.

The Nordic Council

is a forum for co-operation between the Nordic parliaments and governments. The Council consists of 87 parliamentarians from the Nordic countries. The Nordic Council takes policy initiatives and monitors Nordic co-operation. Founded in 1952.

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Preface

This working paper summarizes the first part of the Nordic research programme *Future Challenges and Institutional Preconditions for Regional Development Policy*. The programme is commissioned by The Nordic Council of Ministers / Nordic Senior Officials Committee for Regional Policy (NÄRP). A pilot phase of the programme was reported in 2000 (Nordregio Report 2000:1).

This report has been written by Jon P. Knudsen assisted by Chris Smith for the final text revisions, and with duly acknowledged inputs provided by the researchers involved in the programme and by the programme steering committee: Bue Nielsen (Denmark), Janne Antikainen (Finland) Kristin Nakken (Norway), Nicklas Liss-Larsson (Sweden), Kjartan Kristiansen (Faroe Islands), Bjarne Lindström (Åland Islands) and Hallgeir Aalbu (Nordregio).

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1. Introduction

1.1 The Project and its Political Surroundings

In 1999 the Nordic Senior Officials' Committee for Regional Policy (NERP) commissioned Nordregio to start preparations for a Research Programme to be carried out between the years 2000 and 2004. The programme focused on future challenges and institutional preconditions for regional development policy, a phrase that eventually lent itself as a name for the programme as a whole. The stipulated budget for the programme was DKK 2 000 000 annually.

A pilot project was carried out in a form of scenarios written by professors Janne Hukkinen, Peter Maskell, Rolf Rønning and research director Ivar Petter Grøtte, with his team, and subsequently published by Nordregio.¹ A draft stating the programme areas was then conceived and presented by the programme preparation team. This draft specified three strands of topics as the main areas for future research. These strands were:

- A: What are the regional challenges of economic globalisation?
- B: Are there environmental changes and environmental policy changes that challenge regional development?
- C: How are the challenges taken into account in/by regional policy institutions?

The first phase began as fifteen research teams – most of them networks of three to five member institutions in different Nordic countries – submitted their proposals for programme financing in the autumn of 1999.

The political backdrop of the programme was the increasing feeling of changing global preconditions challenging what could be labelled as the old paradigms of Nordic regional policy. Among these features were the accelerated pace of change in business structures associated with the almost constant and ubiquitous economic turbulence of late 20th century globalisation, and the rising need for complying with international claims for more sustainable national and regional policy regimes.

To the NERP, these general traits were not of interest *per se*, but though they were viewed as being issues that were important to come to terms with as they sought to institutionalise themselves at the regional level or as they were making themselves felt as conditions for policy change or policy implementation. Consequently, it was considered desirable to achieve as good a level of integration as possible between the various strands of the programme.

1.2 The Nordic Mosaic

It can be argued that the late 1990s saw a divergence in political and institutional responses to the international challenges with which the Nordic countries were met. Clearly, this is implied by the fact that first Denmark and then Finland and Sweden joined the EU, whereas Iceland and Norway chose the EEA-road to European

¹ See: Ilari Karpi (ed.): Future Challenges and Institutional Preconditions for Regional Development Policy. Nordregio Report 2000:1 and Ilari Karpi: Competitiveness in the Nordic Economies. Nordregio Working Paper 2001:2.

integration. Even at the specific national level, we can detect a clear divide manifesting itself in the ways in which regional policy was dealt with between countries which otherwise behave similarly as regards the EU.

Sweden is apparently consolidating its state led regional policy tradition, paying only lip service to those advocating a more regionally driven policy regime. On the other hand, Finland has set out to pursue a highly multidimensional reformulation of its regional policy making process, using bargaining between central and local government within the framework of different programmes as its main instrument of policymaking. Finally, Denmark has accorded a great deal of policy autonomy to its well-established county councils in the pursuit of a more flexible approach to regional development policy. Moreover, it should not be forgotten that these three countries are all members of the EU, and that all of them naturally respond to the EU rationale of a Europe of regions.

Iceland has, as a latecomer to the Nordic regional policy scene, chosen to mould its regional future through the use of a national plan taking a cross-sectoral point of departure. The Icelandic aim is to cater for a handful of viable nodes outside the capital area of Reykjavik. Norway, a pioneer in periphery-oriented regional policy design is these days experiencing a major debate both about the future of its regional policy and its regional administrative system.

It could be argued that instead of a distinct Nordic model of regional policy, we have in fact a handful of separate national models, each of them portraying the traits of a model in its own right.² What should however be noted here is that the variations between these national models can only be partly explained by the kinds of institutional strains that were experienced when three of the countries acceded to the EU.³

2. Changing preconditions

In 2000 Nordregio published four studies or scenarios leading up to the present research programme. These studies were all concerned with the specific strands of research undertaken and the challenges encountered within these strands.

2.1 Environment

In his seminal study on the challenges and preconditions in the environment strand professor Janne Hukkinen took as his point of departure the increasing awareness of global factors influencing environmental conditions in the Nordic countries, together with a simultaneous tendency to downplay the ability of traditional regional planning to cope with such tasks.⁴

Through examples given as scenarios over a 20-year perspective, Hukkinen portrays catastrophic incidences stemming from environmental imbalances impacting on the

² See Knudsen, Jon P. (2002) Fem grep for regional utvikling. Notat til NERP. Nordregio 2002, for a discussion on the nature and scope of these models.

³ See Aalbu, Hallin and Mariussen (1999) When Policy Regimes meet. Nordregio Report 1999:3 for a discussion of the entry of the EU regional policy and its bearings upon the various Nordic models.

⁴ Hukkinen, Janne (2000): "At Ease in a Storm?" In Karppi 2000:1.

Nordic countries, incidences that could not have been avoided through regional planning in its proper sense and, nor avoidable through global measures either, since it takes generations to stop or reverse the global processes behind such imbalances. Opting for long-term sustainability solutions is thus, even when such solutions are identified as open to rational planning decisions, however often not a practical road for the framers of regional policy strategies seeking short or medium term remedies to take.

What Hukkinen suggests are policy aspirations geared more towards mitigation, in the face of increasing vulnerability, stemming from the balance of global trends, alongside an enhanced ability to cope with disasters. As he describes it, there is an institutional inability to deal with the systemic uncertainties of sustainable development as it is linked to changing global preconditions, and this inability is obvious not least on the various regional levels of administration and policy formation. We are, so to speak, experiencing phenomena beyond the control of regional development policy, and we should thus develop strategies that are more attuned to coping than to controlling.

2.2 Innovation

Both Maskell⁵ and Grøtte et al⁶ point to the extremely complex situation facing the Nordic countries in the fields of innovation and economic change. Maskell takes as his starting point the apparent contradiction between the high levels of living standards in the Nordic states and the relatively low share of high tech content in Nordic exports in order to discuss the intricate relationship between technology, innovation and economic performance. He notes that we have no overall model for transforming the historical experiences of regional growth derived from innovation and knowledge formation into political schemes applicable to new settings. The lessons learned from across the world are often quite unique in nature, having usually come about in a rather unplanned fashion as far as political intervention is concerned.

Grøtte et al. take a more technical approach starting with an overview of the social, organizational and political possibilities inherent in the present achievements within ICT. Presenting a matrix where human and technological infrastructure is given a position as either centralized or decentralized, the authors present different scenarios for the regional future. In their view, the central decisions on what path to take will be made both on the basis of political considerations and on the basis of technological possibilities.

Maskell and Grøtte et al. also seem to agree that there are some crucial political decisions to be made in order to favour regional innovation based on competence and new technology, but Maskell appears to be more skeptical of the formative potential of these decisions than Grøtte et al., at least as regards the national scenes. The best one can do, according to Maskell is thus to construct a generous infrastructure and hope that the market and the spontaneous processes of network formation take advantage of the situation.

⁵ See Maskell, Peter: "Future Challenges and Institutional Preconditions for Regional Development Policy Posed by Economic Globalisation In Karppi 2000:1.

⁶ See Grøtte, Ivar Petter et al: "Information and Communication Technology Trends and Challenges for Regional Policy" In Karppi 2000:1.

2.3 Institutions

All four studies comment upon the institutionalisation of major societal features, but Rolf Rønning⁷ is perhaps the author most explicitly dealing with an institutional point of departure as he seeks to make it clear what potential paths are open to regional policy in the years to come.

According to his analysis, we may eventually find ourselves faced with a choice between what he calls a *north-liberal welfare state* and a *communitarian welfare state*, the first being a direct response and an adaptation to the ideology of liberalism and new public management, the second one a rearranged Nordic welfare state based on the traditional collectivist or communitarian tradition as found in this part of Europe. Rønning also foresees that both of these traits may thrive side by side across the Nordic region, such that the Nordic countries end up following different welfare models entirely.

To Rønning though the choice is ultimately political it is nevertheless strongly based upon national preconditions pertaining in each of the countries, i.e. making it easier for Norway with her favourable economic situation to opt for a communitarian solution than for Sweden and Finland in particular, both of which will depend more heavily on globally competitive business strategies.

3. The Projects

3.1 Institutional Challenges for Common Property Resources in the Nordic Countries

Common property and the management of common resources play a significant role in the historical economy of the Nordic countries, particularly in the Northern parts of the area where low population density and the extensive use of various natural resources were regulated through a socially embedded regime of what could be labelled “sustainability”. With the advent of changing economic forms of integration and the opening up of larger European and global markets, these regimes came under increased pressure, and many eventually collapsed through what is generally referred to as the “tragedy of the commons”. This process began with the massive deforestation of the oak forests in Denmark, southern Sweden and Norway, a period that was co-terminus with the advent of the modern *époque* in these countries, and ended with the depletion of the Northern fish resources in the late 20th century, the management of such common property resources still troubles policy institutions to this day.

Audun Sandberg⁸ has set out to investigate the interrelationship between sustainability and institutional solutions pertaining to the commons in a contemporary Nordic context. His examples of problematic areas are many. Starting with an overview of the main Nordic national positions in this field – positions that are actually quite different from one country to another – he moves on to show how the theme is relevant to three specific sectors:

⁷ See Rønning, Rolf: “Welfare in the Nordic Countries in 2015” In Karppi 2000:1.

⁸ Sandberg, Audun: International Challenges for the Property Resources in the Nordic Communities Nordregio Report 2001:7.

- The management of the Northern fisheries with its few species and large fluctuations in the light of a revised CFP.
- Mountain pastures for reindeer, meat-sheep and milk-goats as they are treated within the context of modern agriculture.
- Game hunting and inland fishing as these activities find themselves trapped between urban public rights and local enterprise.

In all of these fields, Sandberg argues that the modern sector logic applying national political norms in combination with business principles for maximising individual or company revenues produces a strange and indeed counterproductive property regime. This fact is made even more complicated by the recent changes in settlement patterns and agricultural habits bringing about important transformations across rural Norden, transformations that are poorly understood as far as sustainability at least is concerned.

Sandberg thus points to the need for a more thorough examination of the institutional aspects of sustainability as they are presented in the actual Nordic context. The traditional sector logic, he claims, is not suited to dealing with the future management of common resources, and he is also sceptical of a strong state-led strategy in policy development. Instead he proposes a renewed interest in the devolution of power to the regional and local levels, entailing a process of decentralisation and the delegation of resource management tasks, a move that he suggests, will spark processes of democratisation, transparency and legitimacy in a policy area that badly needs them.

3.2 Sustainable Regional Development in the Nordic Countries

Sustainable development has recently sought to present itself as a set of principles for political guidance and implementation both in the national and regional contexts, though the regional context remains as yet rather under-investigated. Keith Clement and Malin Hansen⁹ have therefore conducted the first comparative investigation of the Nordic countries providing an overview of public-sector activity corresponding with, or contributing to, the practice of sustainable regional development (SRD).

The report produced from this investigation concentrates on the conceptual crossroads between economic development and environmental concerns in the promotion of sustainable development.

The method adopted was a mix of literature review, contact with relevant individuals and institutions and an intensive interview programme in Denmark, Finland, Norway and Sweden. Iceland was excluded from the study as no SRD activity was identified there. Following fieldwork, a stage of comparative analysis was conducted to establish the main patterns of Nordic SRD.

Globally, the notion of sustainable development has made considerable advances in recent years, and this has also resulted in SRD becoming a theme of interest meriting special attention. Very important in this respect is the launch of a thematic EU evaluation of sustainable development in the context of the Structural Funds, funds that are of special relevance to regional policy implementers.

⁹ Clement, Keith and Malin Hansen: Sustainable Regional Development in the Nordic Countries, Nordregio Report 2001:8.

Within the Nordic countries, though, only a limited range of project activity can be identified as corresponding either wholly or partially to SRD principles. Moreover, there seems to be a distinct lack of awareness among Nordic policy-makers and researchers of the existence of SRD theory and practice. In practice, the transition towards SRD seems to be hindered by conceptual overlap, as policy-makers and researchers continue to mistake traditional environmental policy for sustainable development policy.

3.3 Coping Strategies and Regional Policies – Social Capital in the Nordic Peripheries

Nordic local communities differ in resources and in social structures. As such, their ways of coping with changing economic and political circumstances differ accordingly. When seen from below, as cases of projects or coping strategies in selected localities, the dynamics that lie behind social innovations crucial to regional and local development may look rather different than they perhaps do from a central political point of view.

The project “Coping Strategies and Regional Policies – Social Capital in the Nordic Peripheries” has essentially compiled a set of thick descriptions of socio-spatial practices from peripheral communities in Greenland, the Faroes, Iceland, Sweden and Finland in order to investigate the encounter between broader policy regimes and the varying local strategies. Starting with the assumption that coping strategies are the combined strategies of innovation, networking and the formation of identity in which people engage, the course is then set for an analysis of how social capital is actually put to use in local contexts.

The project was headed by Professor Niels Aarsæther and Jochen Peters, both from the University of Tromsø, in cooperation with lecturer Jørgen Ole Bærenholdt, from Roskilde University.¹⁰

Though the project did not set out with the ambition to generalise, through the course of the study a number of recurring frameworks or cleavages were noted by the researchers as having a strong bearing on the local strategies adopted. Perhaps the most important of these is the division between what can be labelled as the one community-societies of Greenland, Iceland and the Faeroes, in which a national regional policy regime in proper terms hardly exists, and the nationally or EU-embedded regional policy regimes of Finland and Sweden. The first category generates a more obvious market-like style of action, while the latter seems to foster a type of project economy responding to the complex institutional set-up in place.

Another important factor is the extent to which economic activity takes place in what can be labelled as either a traditional or a natural resource based sphere or within the context of the so-called new economy. The researchers have therefore sought to utilise cases from both economic spheres.

¹⁰ The summary report from this project is published as Bærenholdt, Jørgen Ole: Coping Strategies and Regional Polices – A Comparative Analysis of Social Capital in the Nordic Peripheries, Nordregio Report 2002:4.

Adopting a typology of bridging/bonding and territoriality/mobility, the researchers try to classify local coping from the case studies as mobile bonding, territorial bonding/mobile bridging or territorial bridging. One of their major findings is that innovative local development does not happen without crosscutting networking, which is networking between the social fields in question.

Concerning the role of regional policy, their conclusions are however ambiguous. In some places regional policy and coping strategies worked in concert, whilst in others, such strategies were forged with little or no regard to regional policies. Moreover, in some instances, fields of policy other than those explicitly defined as regional policy, played an important role with regard to the local practices actually adopted.

What seemed to be of paramount importance however in the communities studied, was the central role of the municipalities in social transformation and spatial restructuring, though of course the nature and the individual workings of the municipalities vary substantially from, say, the Faroe Islands to Sweden. This may be so because the municipality more or less reflects a dimension of reflexive reciprocity pertaining to the administration of social capital in any local setting. Any regional policy that misses this insight will therefore, according to the researchers, be doomed to failure.

3.4 The Spatial Structure of the New Economy in the Nordic Countries

Whether we accept the notion of a new economy or not is an issue of some debate and controversy, as is the nature of its social and industrial equivalent. If we then accept that the new economy is more or less covered by the structure of the ICT-sector, we are able to portray a phenomenon with its own distinct geography.

Assistant Professor Lars Winther from the University of Copenhagen has undertaken a preliminary study on the new economy in the Nordic context using national and regional statistical data¹¹. Among his findings is that of the discovery of an important qualitative difference in ICT-structures between, on the one hand Finland and Sweden, and on the other Denmark, Iceland and Norway, as well as a striking regional concentration within the sector on national centres.

Whereas Finland and Sweden are world-leading producers of ICT hardware, and are represented by companies such as Nokia and Ericsson, the sector is much more service-oriented in the other Nordic countries, giving a specific national blend to the sector from one country to the other. All of the Nordic countries are however to be found above the OECD-mean when it comes to ICT-implementation and usage.

Within a given country, in this case Winther highlights Denmark, the picture is one of geographical concentration. Taking data for ICT-consultancy employment as the point of departure, Winther finds an overwhelming concentration of jobs in the Copenhagen metropolitan area with a minor concentration in the county of Aarhus. This indicates that to a large extent this new employment source is an urban-based phenomenon, and that there is little evidence to suggest the spread of businesses within this sector to more peripheral areas.

¹¹ Winther, Lars: The Spatial Structure of the New Economy in the Nordic Countries, Nordregio Working Paper 2001:10.

3.5 In Search of Process-Based Regional Development Policy

Regional development policies are often developed through strategic processes following strict recipes for planning procedures. One or several problems are singled out, analysed and met with what are hoped to be adequate measures. In real life, however, policy development may evolve in a rather different fashion. Professor Markku Sotarauta of the University of Tampere, together with colleagues, Henrik Bruun, Janne Huikkinen and Reija Linnamaa, have sought to pose the question rather differently: What if regional policy development takes place as process-based acting where the paths of the actors and instances of leadership play a stronger role than traditional schemes of top-down policy development?¹²

Starting from a model which establishes a multi-dimensional framework of policy formation the researchers are able to demonstrate on the basis of a number of Nordic examples, comprising technologically involved business development projects in Turku, Jyväskylä, Trondheim and North Jutland, how the involvement of different factors, only rarely considered as important to regional policy, are able to generate success or failure as specific projects evolve.

Of paramount importance are not these factors as such, but rather the flows that run through them as people forming networks make use of different social, mental and technical resources and opportunities when moving in and out of the regions studied. As the researchers themselves put it, we move from a concept highlighting the space of places to one emphasising the space of flows. The importance of institutions thus becomes the role of promoting, framing and giving the various processes in operation their context. Regions exhibiting what has been described as institutional thickness generally have an advantage over other regions in this respect, but what really makes the difference in the end is the ability of the actors to chart a path or trajectory through the landscape of the given internal and external drivers of change and institutional set-ups.

A regional policy scheme that cherry-picks winners and secures a stable and lasting position of regional supremacy for a given region is not a realistic policy scenario. On the contrary the researchers observe that traditional strategic procedures through their often narrow and unimaginative approaches can often impair or impede successful policy development. What the research group recommends is thus a more subtle awareness of the notion of change and its concomitant importance for regional change.

To cite the researchers on their conclusions: “Policy-makers should be required to become more skilled in managing transition and processes, not only in administrating resources, but in formulating development programmes also. In leadership, the ability to speed up, boost, and change the course of action when the environment changes is often crucial.”

¹² Sotarauta, Markku and Henrik Bruun (eds.): Nordic Perspectives on Process-Based Regional Development Policy, Nordregio Report 2002:3.

3.6 The Partnership Response – Regional Governance in the Nordic States

Governance has increasingly come to be used as a term characterising the forms of multi-level and multi-actor policy processes in Western Europe during the 1990s. Being rather opaque in character and confusing for anyone who seeks clear answers on the contemporary loci of power, the quest for the specific geographical and historical forms of governance is a tempting one for researchers to pursue. In this study Anders Östhol and Bo Svensson (Sweden) assisted by Henrik Halkier and John Flockhart (Denmark), Seija Virkkala (Finland) and Arild Gjertsen (Norway) set out to investigate the partnership response as it developed across 12 regions in four Nordic countries at the turn of the century.¹³

Taking as a point of departure the notion that partnership response and institutional change could be a fruitful way through which to investigate the political terrain encompassed by the new Nordic institutional setting, where three of the countries have joined the EU. The researches thus raise the following question: To what extent, and how, does partnership-based regional development activity create new patterns of governance in the regions, and what are the consequences for existing political structures?

By conducting qualitative interviews in 12 regions, all differing with regard to economic structures and political traditions, the researchers arrived at conclusions showing both diversity and common features among the countries and regions in question.

First of all, there seems to be a division between the non-EU member Norway and the other three countries pertaining to institutional response to the mainly EU-inspired paradigm of partnership. Then there seems to be a divide between the more state-lead partnership approaches of Norway and Sweden and the more regionally anchored partnership processes of Finland and Denmark. Added to this is the dimension of public-private in which Norway and Finland belong to a type of country where partnerships mainly consist of public actors, whereas the process of partnership in Denmark and Sweden in various ways more actively seeks to incorporate private actors. It should be said, though, that there are intra-national variations to be found throughout this overall picture.

A further element brought in was the degree of coherence relating to the partnership processes. Defining the coherence factors as the variables of strategy and resource mobilisation, the researchers tried to identify the strategies as being diverging or common, and the level of resource mobilisation as either weak or strong. The results were that all the Norwegian regions and one of the Swedish regions performed divergently on the strategy variable and weakly on resource mobilisation, leading the team to conclude that the policy impact in the regions was merely ritualistic. On the other hand one Danish and one Finnish region performed strongly on resource mobilisation and commonly on the strategy variable, leading the team to classify these regions as innovative and the policy impact as significant.

¹³Anders Östhol and Svensson, Bo: The Partnership Response – Regional Governance in the Nordic States, Nordregio Report 2002:6.

Summing up then, there seem to be institutional weaknesses in the Norwegian and Swedish models leading to regions in these two countries performing less well than their Danish and Finnish counterparts when it comes to the partnership response. The main reason for this seems to reside in the fact that local and regional actors are accorded less autonomy and thrust in the policy formation process in these traditionally highly centralised political systems.

3.7 Between Pro-Active and Reactive Responses: Balancing Regional Regimes and Institutional Change¹⁴

The basic assumption of the project “Regimes of regional development and growth across Nordic regions: Borderless practices in the making” was that, as national policy instruments and their institutional preconditions are adapted to better suit prevailing international conditions of competition and policy effectiveness, regional practices become the intermediaries that seek to balance such national and international requirements with the regionally specific institutional, cultural and historical circumstances. The regional regimes as constellations of politico-administrative practices thus formed can become factors that either dampen or accentuate the external impact of policy change.

This project was undertaken by Senior Research Fellow Kaisa Lähteenmäki-Smith, with the assistance of Åsa Pettersson, both from Nordregio.

The project sought to identify administrative and political practices and forms of shared problem-solving methods that could be considered regional regimes and that could be transferable across administrative borders. Though administrative reform was one of the main starting points for the whole exercise, regions were viewed as not only another level of governance or administration, but also as the meeting point of various factors that are articulated into action through institutions and social and political interaction, strategic agency being the factor that united all regions, though the strategic choices made often differed. It was expected that such regional regimes would be strategic, though often informal, solutions or discursive instruments adopted in the face of regional or local conundrums. Ideally such regimes provide a framework within which institutional learning is accumulated. It soon became clear however that regional borders are a decisive factor, and that regional regimes are most often bound within these borders. Actors within the formal structures of regional administration sought at times to enlarge the process of regime building into a wider partnership-based constellation, though the structure of regional administration was often not capable of moving beyond that of dealing in terms of traditional regional-policy “elites”.

The actors and the regimes formed can be divided into three main groups: Those representing the *indifferent* view, those with a *pro-active* view and those with a *reactive* view with regard to the regional system and regime-formation within it. The indifferent view was held by those not intimately involved in regional development activities and by those who consider such activity to be merely one policy tool among many, not infringing in any significant way upon the other ongoing regional policy

¹⁴ Chapter written by Kaisa Lähteenmäki-Smith. For final report see Lähteenmäki-Smith, Kaisa: Regimes of Regional Development and Growth across Nordic Regions. Nordregio Report 2002:5.

processes taking place. These people are in a minority, as strategic agency on the regional level has become a dominant trend in all countries. The pro-active view was held by those who sought to influence the actual forms of regional governance rather than being constrained by them, and by those who were conscious of regime-formation on the regional level. The reactive view was at times held by those working with regional development activities, especially in regions with limited human resources. The weaknesses of the institutional structure in one case for instance echoed similar experiences in other regions with insufficient levels of critical mass to introduce novel or daring policy choices, and where historical path-dependency has not given latitude to innovative and pro-active policy approaches, but had instead given rise to a more reactive approach to development and to exogenous sources of development.

The strength of regional regimes is often based more upon the personal commitment and motivation of those involved than on institutional construction. As such, regional strengths are essentially based on uniqueness and thus are difficult to replicate. The level of individual commitment and the density of networks should both however be more deeply embedded in the regional environment and in the institutional resources of the region concerned. This desire is expressed in particular by the regional representatives, who felt that their personal resources and commitment are often not met with sufficient support from the administrative structures and the representatives of the national administrative system. This could however be characterised as a reactive response, while a more pro-active stance should be embraced through the development of more conscious regime-formation.

3.8 The Restructuring of State Activities and their Impact on Various Types of Regions – A Comparative Nordic Perspective

Throughout the 1990s what can be labelled as new public management, a model of public administration borrowed from the realm of business administration, increasingly came to influence the public sector in the Nordic countries. Its rationale was primarily cost-efficiency motivated, but the numerous political, social and economic side effects associated with it soon came to be hotly debated in most societies.

In the project entitled “Restructuring of state activities and their impact on various types of regions – A comparative Nordic perspective ” Lars Olof Persson together with a team consisting of Paul-Olav Berg, Torben Dall Schmidt, Sigurður Guðmundsson, Valdimar Halldórsson, Merja Kokkonen, Kaisa Lähteenmäki-Smith, Jörg Neubauer and Stein Østbye set out to investigate the regional impacts of this reorganization of politics and institutions.¹⁵

Starting from the two basic questions:

What characterizes the current restructuring of state activities, and what are their estimated impacts on various types of regions?

- What conclusions can be drawn concerning alternative future trajectories with regard to the institutional framework for state intervention at the regional level?

¹⁵ Persson, Lars Olof: Restructuring the State - Regional Impacts. Nordregio Report 2002:9.

The research group observed that two opposing tendencies were in operation here. On the one hand they found that a tendency towards decentralization could be detected at several levels. Transfers of authority have taken place from central to regional and local government, while privatization brings in markets or quasi-markets as a substitute for the provision of more or less uniform public services. On the other hand, the process of rationalization both within the public and the (semi-) privatized sector seems to entail the concentration of services and employment, a process already being accelerated by demographic forces entailing the ongoing geographical concentration of populations.

To this can be added the often conflicting rationales of regional policy being both growth-oriented and distributional in scope. The tendency throughout the decade, the researchers note, is for regional policy to become more growth-oriented to the detriment of the distributional aspects of policy making.

This leads the team to ask for a more clearly stated role for the state in shaping the geography of the Nordic countries. Being the largest sole actor as regards employment, service provision and economic activity, the state cannot simply delimit its operations to mirror the ideology of new public management or to the imposing of strict sectoral perspectives on a cost benefit basis, without putting its responsibility for safeguarding welfare distribution at risk. The research team therefore invites the state to formulate more accurate standards pertaining to the distributional aspects of regional policy, arguing that such standards can be specified in respect of both the quantitative and qualitative aspects of welfare provision across different types of regions.

4. The Regional Set-Up in the Making

Returning to the initial wording of the programme, the main concern of the projects should be to elucidate the future challenges and the institutional preconditions for regional development policy. This is a very general formulation in need of clarification. Firstly, future challenges could be said to be everything, and then accordingly nothing, associated with what is ahead of us, as, secondly, institutional could be taken to mean anything whatsoever that is socially manifest. The only clear term here is thus regional development policy, which eventually has come to mean a regional policy of (economic) growth as opposed to a distributional regional policy.

Now, future challenges are given a precision as they present themselves as economic, environmental and institutional concerns, which, in themselves, remain very broad categories. The term institutional preconditions should be taken to mean the policy possibilities and constraints operating in the field of regional policy formation.

Given this way of analysing the problems stemming from the categories chosen, we could feasibly arrive at an approach that looked at the features or traits identified in the projects that help or hinder the operation of regional development policies, and that alleviate or constrain the conditions for successful policy transformations. Such helping or alleviating traits or conditions can thus be labelled *integrative traits*, while hindering or constraining traits or conditions can be labelled *disintegrative traits*. Taking the projects by theme, we could thus deal with the analysis as follows.

4.1 Integrative Traits

Clement and Hansen, Sandberg, and Bærenholdt, all deal with the environment, sustainability or resource management in one way or another. In Clement and Hansen's report the integrative aspect can be found in the possibility or the prospects of implementing SRD in the Nordic countries. The analysis of why this should take place is, however, not brought beyond assessing the fact that the challenge facing regional decision-makers is how the general concept of sustainable development can be put into practice and applied productively at the regional level.

The integrative position then, as far as the researchers are concerned, is that of mapping the advances made in SRD understanding and implementation, and not of critically discussing if, and then under what circumstances, SRD will make a difference on the regional level or even more fundamentally, of asking whether the concept of SRD is an adequate answer to the requirements of present day regional policy renewal. The latter is merely assumed to be the case.

As such the project can be said to respond to its own objective of investigating the emerging concept of sustainable regional development and identifying activities that correspond to the application of SRD in each of the Nordic countries. It should in future, though, be relevant to discuss further the concept of a sustainable regional development more specifically linked to the diverse political context of the countries in question in order to evaluate the integrative potential of SRD and thus not only presuppose it.

To Sandberg the integrative traits do not initially reside in the prospects of future developments but in history itself. Historically derived and geographically specific regimes of resource management have long since come under pressure from the various processes of modernisation and from the general practices of public administration that pay little or no attention to regional traditions of resource management.

The threat to present and future resource management is mainly identified with national institutions, regulations and agencies operating in line with what could be called a globally or internationally established – at least in the OECD-realm – paradigm of political regulation. There is however hope for a more integrative future, expressed in the terms of devolution and a return to policy regimes more in line with regional traditions and local needs. The argument as to why devolution should produce more favourable policy regimes is however only sketchily put, and it thus seems to be more a theoretical position of departure than a result of considerations stemming from the project.

Bærenholdt similarly adopts the integrative position within the context of the historical practice of local communities – in fact this is at the base of their theoretical framework concerning the entire MOST CPPP-project. The integrative potential is identified as the ability of the various communities to participate in the global economy making use of their local resources on a more or less collective basis, eventually helped or hampered by national actors and institutions.

The authors do not however have much to offer concerning policy recommendations in this regard, merely concluding that any regional policy has to take local collective

practices into consideration if it is going to hope for success, a statement that will neither provoke nor help those consulting the project report for advice. However, much empirical material of value is brought forward in the detailed studies from the various country reports making up the basis of Bærenholdt's synthesis. The thick descriptions of local practice are, so to speak, able to give us proof of integration in the context of different forms of local social systems at work. The policy formation aspect is simply left for the reader to detect or in some cases simply absent as the authors never intended to address them.

One policy conclusion should however be derived from Bærenholdt and that is the need for strengthening local communities as capable policy actors. He has however little to say on the regional level in striking contrast to his praise of the local communities as arenas for resource mobilisation and practical coping with the various challenges stemming from globalisation and national political aspirations.

Taken together, Clement and Hansen advocate a stronger integrative role in regional policy on behalf of their object of study, namely, SRD. Sandberg claims that the integrative path for future resource management is to be found in pursuing a stronger practice of devolution, whereas Bærenholdt points to the local level as the *locus* of practical integration.

Moving to the projects dealing with innovation, we see that the integrative theme is dealt with in different ways. Lars Winther offers a first description of the ICT-sector in a comparative Nordic perspective. He has no explicit wish to offer policy recommendations, but does instead propose some categories for understanding how the Nordic countries, and some of their regions are integrated in what is sometimes labelled the new economy. The integrative perspective is thus to be found in the interplay between the global economic system and its Nordic response. Whether or not this interplay can be influenced or stimulated by regional policy is not made into an explicit theme, but this is of course at the heart of the present regional policy debate in the respective countries. The belief that innovative policies are able to enhance the regional distribution of the new economy is at the time being so strong that this can be said to be the most important factor underlying the transformation from traditional regional policy to a new regime of regional growth policy in the Nordic countries.

Sotarauta and Bruun for their part enter this debate by pointing to the need for resource mobilisation in order to succeed in regional development policy. The resources in question are of course both financial and political, but many of them are more specifically found in the organisational field linking together politics, administration, research and business. Taking the specific Finnish model of cooperative policy development as a point of departure, the authors emphasise the role of what can be called an entrepreneurial-like model of policy leadership in explaining regional economic renewal in medium-sized Nordic urban regions.

Charting the trajectories of entrepreneurs, firms and organisational constellations, the authors offer explanatory schemes with clear idiographic traits which they eventually try to amalgamate into a more general table of policy proposals. This effort is noteworthy, but it should nevertheless be registered that the policy advice presented remains rather general, and will need further precision and elaboration before

application is possible to any given context. But at least we can say that the project goes to the core of the fundamental questions asked by the research programme: What are the immediate policy consequences stemming from the overall structural changes taking place at the turn of the century. The project is interesting in its refreshing way of attacking the understanding of the integrative practices linking politics, economy and knowledge at the regional level. Concerning Winther's project, there is obviously a need here to follow up the analysis of changes in business structure by analysing the decision processes underlying the structural outcomes on various regional levels. We already have a plethora of analyses and thick descriptions of local community decision formations. We are still lacking though, when it comes to understanding the way that multinational companies act as employers, investors and capital holders.

The three projects most clearly directed at institutional practices, namely, Svensson and Östhol, Lähteenmäki-Smith, and Persson all deal with the integrative ambitions of regional policy, though this should be most explicitly said to be the theme of Svensson et al and Lähteenmäki-Smith who both discuss the partnership-concept as it has come to manifest itself in Nordic contexts. Literally speaking the word *partnership* carries the ambition of integration as it goes along with the present regional policy regime of the EU, but it has also had an important impact in the EEA-context, as shown by the case of Norway.

Both Svensson and Lähteenmäki-Smith demonstrate that there seems to be a difference in performance between the EEA-country, Norway, and the proper EU-members concerning the ability to convert the partnership principles into viable integrative practice for regional development purposes. Svensson et al. report that the Norwegian county councils studied perform less well as regional actors than their Danish, Finnish and Swedish counterparts. They further note that the ability to integrate from a regional policy point of view does not necessarily vary with the models adopted, though there is a clear tendency for the devolution-oriented Danish and Finnish models to be more integrative than the strongly state-controlled Norwegian and Swedish models.

The tacit, but nevertheless well-known, distrust with which the Norwegian county councils are treated by various governments is only fleetingly dealt with, but should certainly be taken into consideration when explaining the low impression of integration in this country. Another aspect explaining variations in integrative potential between Norway and the other countries could be found in the fact that EU-membership offers a substantial financial contribution to the regional budgets of Denmark, Finland and Sweden, whereas this is not the case in Norway. Finally we should note that every country has its own administrative traditions, which in themselves are perceived as more or less legitimate by the partners in question. As such, the centralist traditions of Sweden may function for integrative purposes in that country, while the same would probably not have been the case, had the model been transformed to Finland – or even more so to Denmark.

Persson's project on the reorganisation of the state points to another important aspect of integration, namely that of making the various sectors of the state cope with the changing demands on service production. This is a vast field of study, but Persson points to the fact that the effects of state reorganisation seem mostly to present themselves as unintended consequences of non-geographical considerations more or

less tied to new public management or related schemes of thought. The integrative aspects in the geographical sense are therefore likely to be manifested as strains more than gains in the first instance. The long-term effects of state reorganisation on the geography of integration remain nevertheless to be studied more fully.

Summed up, there are clearly important integrative traits to be found in the research material presented by the various projects. The overall picture is however many-sided and the tendencies are as yet just that, mere tendencies. Few present clear-cut policy recipes in their conclusions, though this may easily be attributed to the fact that even enthusiastically reported integrative practices can only be translated into fairly vague policy recommendations as in the case of Sotarauta and Bruun.

4.2 Disintegrative Traits

Dealing with disintegrative traits, we could start by grouping them into three projects as was done above.

For the projects conducted by Clement and Hansen, Sandberg, and Bærenholdt we find a number of different diagnoses as regards the disintegrative traits. To Clement and Hansen, whose implicit position seems to be that adequate SRD implementation will increase the level of integration, the neglect or the misconception of SRD, and hence the failure to implement it in the political and administrative system, represents the main source of disintegration. The question as to whether or not a successful implementation of SRD would create disintegration of other kinds or in other parts of the political and administrative system is not however posed.

To Sandberg the main source of disintegration is ironically found in the integrative efforts of the nation states as they try to regulate, or more precisely re-regulate, the regimes of resource management originally in place across the Northern peripheries. The integrative potential is so to speak guarded and defended as local resistance against what will be perceived as more or less ill-conceived or misunderstood national or supranational policy regimes. Eventually, any national reconciliation restoring political integration in the full national scale from state to local community can only be hoped for by reforming national policies according to the long held insights of the peripheries, and then only in line with far-reaching regimes of political and administrative regimes of devolution. This line of thought is well known from sociological theory, and should then be taken to typically represent the so-called counter-cultural strain of thought that represents an important aspect in the debate on Nordic regional policy. Integration can only be achieved through gaining legitimacy by building from below, never from above. Consequently, any policy effort coming from central governments, without previously being thoroughly debated by, and founded on local interests, will by virtue of its own origins, necessarily create disintegration.

Bærenholdt for his part establishes local cooperation and resource mobilisation as the nexus of social integration. As such therefore disintegrative traits can be represented as any threats to this mode of social organisation. Globalisation represents a potential threat, as do national political and administrative systems, but it seems more reasonable to read his interpretations of these factors as dialectically operating social forces, i.e. as challenges spurring local cooperation more than as forces subduing local initiatives and local structures. Local patterns of mobilisation are renewed and

revitalised by the peripheral communities' own struggles for future existence. Accordingly there is an obvious ideological link to Sandberg and his discussion of peripheral resource management, but whereas Sandberg maintains the static threat posed by national and supranational models of political management, Bærenholdt seems to hold a more relaxed view on the interplay between forces operating on different geographic and political levels. As such he transgresses the classical models of centre-periphery theories in his discussion of the Nordic peripheries. Another transgression is made by the fact that Bærenholdt sees globalisation as both an opportunity and a threat to be encountered by the local mobilisation processes, meaning that the local processes are seen as means of a necessary bridging process between the local and global economic spheres.

Winther's presentation of the ICT economy explicitly mentions the geographically uneven patterns of this economy across the Nordic countries and regions as a source of disintegration. Some countries, such as Finland and Sweden, are ahead of the other Nordic countries especially when it comes to ICT hardware production. Looking more closely at Denmark, Winther observes that the geographical impact and penetration of the ICT sector is highly skewed, and he further seems to hold the view that this tendency is not made up for by market forces alone. Thus the classical question of whether or not political attention and measures can bring about changes in this regard is tacitly posed. In other words the traditional mission of regional policy as a facilitator of national economic integration may be addressed, though undoubtedly times have changed since the quest for modernisation through methodically designed regional policy schemes first appeared after the Second World War.

Sotarauta and Bruun offer some of the answers to these challenges, though in different terms. They do not seem to be overly worried by the disintegrative aspects of regional diversity as regards economic structure. On the contrary, one gets the impression that they presuppose diversity as a prerequisite for dynamic entrepreneurial activity. To state it otherwise, disintegration measured as statistical differences between regions may be the necessary fruits of integrative systems operating differentially across various regions. Or, to put it the other way around: To insist on a policy of national integration by demanding equal shares and an even geographical spread of ICT or other economic sectors in each and every region would imply the dysfunctional disruption of the creative processes taking place in some of the regions within a country, and would thus be harmful to the national economy.

It is here that we encounter one of the most difficult questions of regional policy design. Should policies try to stimulate even distributions and the pursuit of spread effects, or should they rather look for creative processes stimulating pilot regions giving rise to economic mosaics of inequality within a given national frame? There are no simple answers to this, but the explicit policy recommendations offered by Sotarauta and Bruun clearly favour the latter. These are considerations that are not merely scientific; in the end the choice between what can be labelled renewal or distribution is political and as such also very much left to the vagaries of the current political climate and to the level of electoral tolerance within the different countries concerned. There has however been a marked shift away from distribution and towards renewal throughout the 1990s, a trend that should be noted. Researchers under such circumstances have to cope with the exigencies of changing demand from policy buyers while also having to cater for models and methods of analysis not

presently in vogue to render a true professional picture of their society. Regional research should itself thus maintain that what may be integrative for one purpose, may be highly disintegrative for other purposes. These are inherent contradictions that cannot be resolved even through spectacular linguistic constructions like the phrase “sustainable development”. Social contradictions are in the end prone to value judgements and political priorities, and those cases are few in which such contradictions can be overcome by social science alone.

To both Svensson and Östhol, and Lähteenmäki-Smith the disintegrative traits are to be found in poor system performance, i.e. when the integrative chain running from the state level through various regional instances down to the local level or vice versa fails to establish itself as prescribed. Taking as a point of departure that the concept of partnership is matched by some kind of partnership practice, the disintegrative traits are commensurate with the gap between policy rhetoric and what is experienced as the real political outcome of the partnership experience. With this in mind, it is interesting to note that there seems to be a disintegrative surplus in all the regions studied. In no case is there a political experience of partnership success that exceeds the conceptual programme of partnership blessings, though the variations are substantial from the poorly performing Norwegian cases to the more successful Danish and Finnish examples.

These discrepancies can to some extent be accounted for by the natural fluctuations of political fads and concepts. Organisational and political patterns are always more stable and inflexible than the concepts and programmes designed to modify and influence them, and this also holds true for the concept of partnership. But this being said, it should be noted that investigating the practices, devolution and national legitimisation of such procedures explains much in terms of the positive experiences recorded in Denmark and Finland regarding partnership practice. Sweden seems to perform poorly on policy devolution and to some extent on involvement, whereas Norway performs poorly on devolution and national legitimisation.

Moving to Persson’s study on state reorganisation, the disintegrative aspect alluded to here is the originally non-thematised regional consequences of a genuinely integrative political initiative, namely to reform national service production within different sectors. Persson and his research staff point to the important effects of state reorganisation on different Nordic regions, not only for the sake of service provision *per se*, but also for the broader impact of employment and general economic activity. The study asks for a more explicit consideration of these aspects of state reorganisation in the overall policy design more than it proposes political strategies and measures. What Persson et al. underline is that important disintegrative features are created by present day political schemes without this being taken into full consideration when the national welfare systems of the Nordic states are transformed, traits that in the end may erode some of the basis upon which these welfare models have been built.

4.3 Tentative Conclusions

Trying to pull the research results and the impressions they give us together is not a straightforward procedure. The research teams broadly cover three strands of themes, and they have formulated their research tasks within different research traditions.

Going back to the original table of strands, the questions posed were the following:

- A. What are the regional challenges of economic globalisation?
- B. Are there environmental changes and environmental policy changes that challenge regional development?
- C. How are the challenges taken into account in/by regional policy institutions?

Concerning strand A, the following specification was initially made:

1. Creating competitive advantage to the regions
2. The state as more dependent on regions' performance
3. The risk of increased interregional imbalances
4. Administrative versus functional regions

Of these four, the fourth specification is more or less left un-addressed by the projects, whereas the first three are taken up by several projects. With regard to the first point Sotarauta and Bruun as well as, Winther, Svensson and Östhol, Lähteenmäki-Smith and to some extent Bærenholdt discuss how competitive advantages are dealt with. Broadly speaking Winther gives a theoretical background of economic geography, Sotarauta and Bruun and Bærenholdt offer an analysis from below, i.e. giving insight into how actors behave in order to realise their potential under changing (global) circumstances, while Svensson and Östhol and Lähteenmäki-Smith discuss the partnership concept as a system response to the challenges of competitiveness.

Moving to the point relating to the state being more dependent upon the regions, we find the projects' various positions more or less implicitly dealing with this. Svensson and Östhol and Lähteenmäki-Smith all seem to accept the logic of systemic cooperation as a necessary move to cope with changing challenges. Sotarauta and Bruun and Bærenholdt all hold the ideological position of the important activities taking place in the regions or at the local level. Winther expresses worries about the regional gap in performances, but does not evolve this into any overarching conclusions. Persson is perhaps the author most deliberately pointing to the restructuring of regional performances as vital to the state, though not as regards business development, for he deals only with the changing geography of service provision.

Winther and Persson both detect signs of the third point made, namely, the risk of increases in interregional imbalance. Sotarauta and Bruun also seem to be aware of them, but in their research, or more correctly, in their cognitive position, imbalances are described as part of the necessary dynamics that make the economy thrive and prosper. This basically normative position on imbalances should be noted, as no one seems to contest the manifestation of increased imbalances as such.

Concerning strand B these points were made outlining the more specific preoccupations:

1. Creating environmentally competitive economies
2. Regional resource bases of the global economy
3. Climate policies challenging the present production structure

4. The ongoing institutionalisation of sustainable development as a political goal on all levels of development planning and programming.

In this strand Clement and Hansen provide a very close answer to point four, showing how the concept of sustainable regional development is inadequately met within the Nordic regional administrative systems.

Point three however has simply not been dealt with.

Point one and two are at the focus of the writings of Bærenholdt and Sandberg. Both of them starting from the viewpoint that sound economies build on locally managed resources. To Bærenholdt various systemic strategies and positions are open to local actors, while Sandberg investigates the unequal approaches between local and national political systems. Both nevertheless maintain that viable futures are constructed from below, through collective local or regional action. The most national authorities can hope for is thus to apply rules and regimes that are in accordance with these local or regional requirements.

As for strand C, the following thematic exemplifications were made:

1. Improving institutional quality within regional development
2. Regional capacity in difficult policy decision-making
3. Welfare state as a constraint to dynamic regional development
4. Welfare state as a safety-net in the regional restructuring.

All of the projects in the programme discuss point one in some way or another. The question is most explicitly addressed by Lähteenmäki-Smith and by Svensson and Östhol who deal with the dialogue between various parts of the political and administrative systems in the Nordic countries. What they all point to is that the seemingly uniform idea of partnership has been implemented in very different ways from country to country, and even from region to region within one and the same country. In some settings the clear effects of partnership processes are detectable, whereas in other settings, partnership processes appear as mere ritual performances unable to influence regional development. Sotaruta and Bruun also discuss institutional quality, but with the insistence on improvements being process-based. As such their lists of proposals aimed at ameliorating Nordic regional policy performances can be seen as the most concrete policy outcome of the programme.

Regional capacity in difficult policy decision-making is touched upon in the above-cited projects as in Persson's work on the state and geography. What springs to the mind as the immediate lesson here is that only seldom are difficult policy decisions made at the regional level, though variations exist from country to country. In Sweden, all central policy decisions reside with the state or with state led agencies. In Denmark, a form of regional division of labour in this respect exists, though the number of difficult policy decisions left to the regional authorities seems hard to assess. In Finland a system of negotiation is in operation in which the amount of power belonging to various regional constellations of actors may vary substantially from place to place. In Norway, the policy competence of the regionally operating county councils seems more rhetorical than actual. Persson demonstrates how, regardless of country, the main political decisions influencing regional policy systems

are taken as sectoral and national decisions, leaving the regions to live with the consequences more often than not when it comes to forming their own vital frameworks.

If this is so, it may be a feature of Nordic political culture that deserves further investigation, as there seems to be a gap between rhetoric and practice concerning regional policy formation. Nordic regions seem to be more tightly controlled by their respective states than we care to admit, and this may even be a trait that discerns Nordic regional policy from more far-reaching experiments with devolution and federative practices in other European countries.

Concerning the welfare state approach, Persson is the one most explicitly dealing with changing regional welfare provision and the subsequent employment consequences stemming from such changes. Bærenholdt discusses the foundation for welfare as an integral part of local community development and coping. But none of the projects discusses in any length the fundamental questions raised by Rønning in his alternative welfare scenarios. The main reason for this is that the regional aspects of the welfare state as such were not at the central focus of interest in the programme.

The projects here adopted have thus rendered important insights into the Nordic societies within the strands of research presented, though, clearly, important questions remain to be addressed. This is especially so as regards the theme dealing with the new forms of governance appearing in the late 1990s, as partnership models seem well covered by the programme, while some of the other aspects of the strands have been given much less attention. As the reports are presented, one is struck by the fact that the political agenda is always changing, leading to new questions presenting themselves and old questions becoming obsolete. Regional research has to be on the move because the regional imperatives themselves are constantly on the move.

4.4 Further Research

The ongoing challenges of Nordic regional policy and its subsequent need for research have been further dealt with in the second phase of the programme.¹⁶ Starting in the late autumn of 2002, a selected number of projects will address the strands of innovation, demography and sustainability, all with a special eye on the institutional aspects of these three strands as they pertain to regional policy.

¹⁶ See Knudsen, Jon P.: "Future Challenges and Institutional Preconditions for Regional Development Policy. Guidelines for Project Adoption 2002-2004". Nordregio: Paper.

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