CONVERSION TOWARD AN OPEN SYSTEM WITH PLURAL CORES

YO TSUCHIDA

Introduction

This paper will discuss the reform of local self-government intended to strengthen the relation between local economy and global economic activities, with an empirical focus on Swedish regional government. The dual trends of economic globalization and changing relations between local and central government have both led to a transformation of regional government, necessitating a reexamination of regional government.

It is important, when focusing on the transformation of local politics, to specify what is meant by local area or space. M. Perkmann et al (2002) point out that the concept of scale has usually been used to connote one of two meanings. On the one hand, scale sometimes refers to the spatial scope or horizons of economic action and much of the discussion of globalization adopts this interpretation of scale. On the other hand, scale refers to specific bounded or delimited spaces and is synonymous with territoriality. Benz et al (2000) grasp the process of spatial reorganization or the rescaling of economic activity, contrasting it with decentralization to local government, as “regionalization”. Since global markets give rise to competition between locations, the most important factors today influencing corporate investment decisions are the infrastructure of the surrounding area, the availability of skilled labor, access to research facilities and the proximity of supply firms. Regionalization as such is defined as a policy strategy for development that entails reorganizing functional spaces politically as well as economically (Benz 2000).

The subject to be considered here is how the reorganization of economic space has influenced the geographic structure and the economic and political system. Harvey’s (2006) conceptualization of the three sides of geographical space is useful when considering the transformation of geographical space itself and central-local governmental relations, both in the light of global economic activity. According to this conceptualization, geographic space is, first, grasped as absolute space with concrete and physical things and measurable area. In contrast to that, second, geographical space is grasped as relative space defined by, for example, time-distance from central area, meaning that position and inner structure of geographical space itself transforms continuously through the innovations in transportation technology. Third, it may also be grasped as relational space meaning that the character of some geographical space is always defined and redefined by national and global
transformations. For example, some area may lose its status as a world center of ship-building industry with superior harbor through the consolidation of ports with neighboring country and rapid expansion of ship-building industry in Asia (Harvey 2006). Mutual relations among these conceptualizations are conceivable; the transformation of some area via the construction of infrastructure in *absolute space* causes a transformation of its *relative space* resulting in transformation of *relational space*. This theoretical method seems suggestive when considering the transformation of a local area caused by economic globalization, considering the mutual interdependence between the local economy, national economy and global economy.

Similarly, the structural transformation of local spaces will be followed by a transformation of nation wide land structure and vice versa following a change of relational space within nation. Keeping in mind the above mentioned, the main arguments of this paper are as follows. First, we will consider, from the viewpoint of national or central policy, the position of local government within Swedish policy framework and transformation of this position over time. Second, from a local viewpoint, we will consider the transformation and dynamics of local social and political structures against the background of the strengthening direct relationship between the local economy and global economic activity. Third, we will consider the direction of local government reform from the point of view of multi-level governance in order to understand the changes in the governing system caused by economic globalization.

The basic theoretical approach of this paper is to pay attention to the corresponding relationship between economy, power and ideology in governance as well as to consider changes in these factors in a historic process with the transformation of the economy as the driving force.

**Historic background of region government**

When considering the background of the position of local government and local autonomy in Sweden, it is important to consider modern history and the process of constructing the welfare state.

In Sweden, with no history of a feudal system and with the *riksdag* including a representation of farmers already in medieval times, followed modernization in the early nineteenth century, followed by the industrial revolution, the government has continually adjusted to social change through a process of compromise and coordination among estates/classes. It is interesting that the liberal ideology, which led the idea of local self-government in the reformation of 1862, was not an extension of the autonomic tradition of the agricultural community but rather instead imported from thoughts of European citizenship including those related to the French commune (Andrén 2007). On the other hand, the fact that Sweden lacked a liberal revolution and has a weak tradition of autonomous cities and ideas of citizenship led by the bourgeoisie may explain why policies corresponding to rapid ur-
banization put into effect by social democratic governments have not necessarily entailed seeing local self-government as an important factor in the democratic system (Strandberg 2006).

At the same time, one of the characteristics of the Swedish economic structure, with the country’s history as a supplier of raw materials including iron ore and timber to Hanseatic Cities, has been the fact that industrial development from pre-modern times has proceeded by strengthening economic relations with Baltic cities and West European countries including Britain, resulting in the economic structure depending largely on foreign markets.

The characteristics of the economic structure as such have been inherited by the present day society. SAP governments, led the construction of the welfare state from the 1930s, have changed the basic strategy from pursuing ideological policy to curtailing poverty through economic development. The social democrats have also adopted the strategy to ensure employment and improve living standard through enlarging investments and increasing exports by big corporations by strengthening their competitiveness. This strategy, using industrial policy to promote big companies, explains why Sweden has many globally known companies despite the smallness of its population and domestic market. Industrial restructuring through mergers has been promoted and there has been no attempt by government to restrict monopolies in the domestic market (Alvstam 1993). The argument labeling Swedish economic/political structure as a “peninsula or disarticulated Fordist economy” characterizes the Swedish welfare state strategy as an attempt to overcome the disadvantages related to the smallness of the population and domestic market by increasing exports and strengthening the competitiveness of big companies through financial and monetary policy (Ryner 2002).

The political position of local government in Sweden must be considered while keeping in mind the historical process and characteristics of the economic structure mentioned above. For SAP, with labor unions as its political base, the ideal of local self-government has not held as much importance as welfare and equality. Given the priority of the provision of services and the ideological view that the government should play a role in the improvement of the living standards of citizen, local government has been seen as the bearer of service provision. For commune it has been put importance on the basic role of the municipality to act as general provider of services close to citizens. As a result of people moving from smaller municipalities to larger cities, the government carried out a reform in the early 1970s to amalgamate municipalities and reduce the number of municipalities with small populations.

Economic globalization has been an important influence on the strategy of SAP governments. Important, from the point of economic strategy, is the fact that policies such as exchange control and preferential treatment for investments, which had had a central role in Post-War economic development, have lost their effectiveness when Sweden joined the EU and with financial globalization more generally (Ryner 2002).
Following the fact that corporate investment, guided by companies acting based on a global strategy, was not necessarily directed at domestic markets and therefore did not necessarily lead to increasing employment, it has become important for Sweden to attract foreign as well as domestic capital to secure employment. It has therefore become necessary for the government to put into place policies that raise the attractiveness of local areas for investment, in part through the consolidation of infrastructure on the base of economic needs. Resulting from the redirection of government policy in Sweden, where so far the acquisition of companies by foreign capital has been restricted, 23% of private employment in 2004 and 36% of private R&D investment in 2002 were occupied by foreign owned companies (Andersson 2005).

As a result, the local area level has become the focal point of economic policy, necessitating a reform of the local government system. The characteristics of Swedish local government, with municipalities and landsting, are, especially at the regional level, as follows. First, the competence of the landsting, as the regional government, is in reality limited to the provision of services including health care and transportation within each area; important authorities that provide infrastructure have been concentrated in the central government. There is no government with general power over specific fields at the regional level. Second, the fact that there are many central government agencies with administrative offices at the regional level makes it difficult to integrate them. These circumstances at the regional level, with hundreds of central agencies each having its own regional unit for enacting policy, and each having an independent position responsible only to the riksdag and cabinet, makes it difficult to implement unified policy at regional level (Secretary Report 2007).

The economic crisis in the early 1990s followed by accession into the EU prompted a reexamination of the governing structures on the regional level, including the construction of a region-wide resource mobilizing system, leading to consideration of a reorganization of central government agencies with regional offices on the one hand, and the establishment of regional governments on the other.

The Committee on Public Sector Responsibilities has proposed a consolidation of landstings to create six to nine regional governments and also a reorganization of central government agencies with regional offices (Ansvarsommitten 2007). It is obvious that the establishment of regions through the consolidation of landstings has been proposed to make conformity between regional governments and regional offices of central government agencies more feasible. On this proposition, Sveriges Kommuner och Landsting has expressed almost unanimous support, demanding it be put into effect, despite opposition by central agencies (Sveriges Kommuner och Landsting 2007). The chairperson of the committee has explained the aim of the proposition in the following words: “In reality there are some arguments to envision all of Sweden with only nine million people as a region. But in my view it makes it difficult to operate incentives to stimulate each other within the public
sector. The central government must delegate authority and responsibility to the regional level as much as possible, and the importance of this strategy is becoming clear through the organizational strategies of private companies. Through decentralization it becomes possible to enhance the efficiency of the public sector as a whole and the central government can devote itself to important matters without being caught up in details. Government at present has too many things directly under its responsibility.”

The proposition of the committee can be seen as a rational reform of a government system responding to the transformation of the economic system toward one with a local area focus. Important, on the other hand, is the fact that the proposition by the committee lacks an analysis on the transformation of the local structure and local society itself that has been caused by economic globalization. And beside that the fact, side by side with regional reform, there is some proposal to consolidate small municipalities with decreasing populations, suggesting that reform of local government is now facing a new stage.

**Regionalization and globalization of local politics and economy**

The characteristics of land structure in Sweden, structured throughout the process of post-World War economic development, are as follows. First, as a result of the concentration of population and economic activities on large urban areas, problems relating to land structure including outflows of population in northern area have arisen. Second, as a result of the corporate strategy of placing importance on marketing and establishing subsidiaries in foreign countries, each local area has an autonomous economic structure; there is no hierarchical relation among local areas such as that as reflecting the relationship between headquarters and subsidiaries among companies.

Keeping this in mind, we will examine the transformation of the local economic and political structure in Skåne and Västra Götaland, in both of which region governments have been established as an experiment.

**Structural change in Skåne**

Skåne, with 1,170 thousand inhabitants and 33 municipalities, became Swedish in 1658 and is deemed as an area with a strong local identity. Region Skåne was officially established in 1999 when two *landstings* and health care of Malmö amalgamated. At the same time, parts of the responsibilities of the county administrative board (*lansstyrelsen*) were devolved to the region. And with the completion of the Oresund Bridge in 2000, connecting Skåne with Copenhagen directly, cross border economic activity is now expected to increase.

Skåne is now in a process of change, both structural change of the economy and industry in its large cities to address the economic crisis in the early 1990s, (when 25% of all jobs in Malmö disappeared), and, also prompted by economic change,
changes in the mutual relations among the local areas within Skåne toward, with certain tension, region-wide unification.

Economic activities in Malmö and Lund are expanding enormously, led in Lund mainly by investments in research and development and in Malmö mainly in the service industry. These trends in both cities can be considered as the result of investments to strengthen the connection with Denmark and economic growth in the countries along the coast of the Baltic Sea, helped by investments by global companies seeking advantages from collaboration with Lund University. These processes show that the economic/industrial structure in Lund and Malmö are strengthening direct connections more with the global and Northeast European economy than with local areas in Skåne.

The fact that these trends are accompanied in part by scrapping local industries in Malmö and the stagnation of industries in the northeast area within Skåne creates an expectation of rising tension among the large cities and between each areas within Skåne. On the other hand, with changing economic conditions, there are also trends toward the deepening of relations among the various areas within Skåne, as described below.

First, an increasing number of people commute into Malmö and Lund mainly from surrounding municipalities; in some surrounding municipalities, more than half of the working population is out-commuting. This trend is mainly explained as a result of improved public transportation and commuting possibilities from north and northeastern areas of Skåne to Malmö, an initiative taken by the regional government. The trend can also be explained in terms of high income people in Malmö and Lund having moved their residence to surrounding areas. These transitions seem to be resulting in a new situation of dissociation between places of residence and employment and increased cooperation among neighboring municipalities (Lund 2006).

Second, there is increase of municipal cooperation among neighboring municipalities. This trend is characterized by the establishment of joint organizations in southeastern Skåne, including Malmö and Lund, for fire-protection, water supply and sewage by four to five neighboring municipalities in each project, accompanied by discussions of joint projects in the future including public institutions and institutions for the disabled. This trend has been followed by an increase in coordination among neighboring municipalities in the areas including road planning. Secondly, joint projects among small municipalities are growing especially after 2005, as a counterproposal against the trend favoring the consolidation of small municipalities, aiming, it has been argued, to show efficiency of management through joint projects. Joint committees on welfare have also been established among municipalities.

A second function commonly regarded as most appropriately managed at the regional level, other than medical care, is the planning of infrastructure. The role of regional government is deemed as important in order to convince the government
that investment in Skåne is a higher order of priority than other area by stressing the creation of a “Unified Skåne”.

The future of regional government relates on how to construct the future image of Skåne. Although Malmö and Lund have their strategy to strength their footing toward the central government through the unification of Skåne, it is easy to expect that in reality the area necessary for these two municipalities to cooperate does not much exceed the area consisting of 11 municipalities, including Malmö and Lund, providing that there is efficient informal coordination among them. On the other hand, the eastern area in Skåne, although in part a commuting area to Malmö, is keeping its own history and local industry. Under these circumstances unspoken agreement among each area on the future of Skåne seems to be leading to the development of a regional economic structure with plural cores, including the area with Malmö and Lund, area with Kristianstad and with Helsingborg. To facilitate coordination among municipalities in Skåne, coordinating body or conference has been created, consisting of municipalities within each of the four areas of Skåne, coordinating the decision making of policy of the regional government. It is plausible that these coordinating bodies will strength their footing following the expansion of joint projects among municipalities in each area.

When considering the above, the state of affairs around the regional government in Skåne can be understood more clearly by analyzing the influence of economic change on local structure. Faced with economic crisis in early the 1990s, actors in Skåne have aimed to reestablish the local economy through strengthening connections with economic actors in Europe and globally. These processes of change can be summarized as follows. First, within Skåne it has led to scrapping part of the existing industry and concentrating economic activities and employment, which resulted in widening the commuting area or real labor market of the main municipalities. Second, the role of the regional government was redefined. It is clear that through the unification of institutions responsible for managing transportation, unification of Skåne with respect to transportation has increased. At the same time, the fact that, under the present Swedish financial system, pursuing the provision of local infrastructure is unavoidable to strengthen the negotiating power against central government, which has further led to increased unity among municipalities under the regional government. Third, the region-wide unification has proceeded with two sides, unification and tension. On the one hand extension of economic/social activities, which followed industrial restructuring, has promoted cooperation among municipalities and also structured an objective basis for Malmö and Lund to acknowledge themselves as “the economic engine of Skåne”. On the other hand the expansion of industrial activities in the main municipalities is mainly proceeding through connection with global economic actors will, through the weakening of industrial relations within Skåne, result in conflicts of interest among the areas and lead to a weakening of the regional government. Simultaneously, the fact that even the area with declining industry has to seek to connect with European wide
economic activities, may strengthen the regional government. In a word, concerning the role of the regional government in the provision of infrastructure within Skåne, there is agreement of interests among areas. Similarly, for the areas with declining industry, the role of regional government, which has responsibility for region-wide development, is significant.

The transformation above can be deemed as a process toward region-wide geographical unification. It is a process of the restructuring of “Unified Skåne” which has been acknowledged so far through historic/cultural relations, toward a relationship with realistic base as economic/social unification. In other word it can be seen as a process to unification accompanied by some tension.

**Västra Götaland and Göteborg**

In Västra Götaland, the regional government was inaugurated in 1998 and has taken over some of the responsibility of *lansstyrelsen*. As characteristics of the economic structure of the region, there are growing connections between the core municipalities with the global economy. On the other side follows the extension of the commuting area, which has become possible through improvement of transportation system within the region, industrial centers of region, from the point of commuting, are concentrating to Göteborg and Borås and Trollhättan as sub core centers. Reflecting these situations there are multi-level relations or structures, as mutual relations among municipalities within the region emerge, consisting of joint enterprises between adjacent municipalities, the establishment of sub-regional efforts at coordination among municipalities based on former *landstings* and cooperation of these with the regional government. In the following section, we will examine the state of core cities in Västra Götaland.

**Sub core cities: Borås and Trollhättan**

Borås has a population of 99,000 and a history of textile production from the middle ages and as a city of commerce among farmers and merchants. Resulting from an out-flow of factories under the world wide competition since the 1970s, production of textile itself has been limited and the number of employment of textile industry has decreased from 45,000 in the 1970s to 1,500 at present (Borås Stad). On the other hand, it is noticeable that the textile companies in Borås, without channels for mass marketing, are keeping a position in the industry, based on an accumulation of expertise in logistics.

The characteristics of Borås as an area accumulated by local industry are as follows:

First while many companies are conducting production and procurement through subsidiaries in Baltic or Asian countries, they are conducting in Borås the development of new product, putting importance on design. With the development of methods of production and marketing, including mail-order production utilizing brand image of Borås gained historically, local industries have pursued a diversifica-
tion of utilization of textile including for upholstery of automobiles produced in Göteborg. Second while many of the big companies are moving their head offices to Göteborg, small companies who employee up to 20 or 30 are operating in Borås within mutual cooperation including exchange of information and mutual support in the busiest periods. Moreover they have close cooperation with machinery industries in the area with regard to development of new technology. Third, the University of Borås is, as a center for education of manpower as well as information exchange through a publishing design magazine, raising design competence and research and development of the area. At the same time, industrial policy of Borås Municipality has a coordinating role. Local industry in Borås might be regarded as a successful example of a triple helix in some sense. The reason is that textile companies in Borås have, though on a small scale, their own headquarters and development sections in Borås, making it possible to respond independently to changing economic conditions. In this process there is a growing importance of infrastructure including roads and airports to connect industry in Borås directly with abroad.

Trollhättan, with a population of 53,000, is distinct from Borås in a sense. Local industry in Trollhättan with history of machine industry including locomotives has been structured nowadays with Saab Automobile as a core company, so the change of procurement policy of Saab to worldwide purchasing caused severe damage for local industry. On the other hand, keeping a high-tech subsidiary around its production base is profitable for Saab itself, making it an important factor to connect Saab with local industry in Trollhättan. With the coming to the fore of the plan to close the factory of Saab Automobile after the acquisition by GM, there is some instability in the area and the Swedish government is discussing plans including the construction of a highway connecting Göteborg Port and Trollhättan.

**Employment securing World City: Göteborg**

There are growing investments especially by foreign capital in Göteborg. To evaluate the policies of Göteborg municipality, it is important to pay attention to the structure and characteristics of Göteborg as an economic sphere formed historically in Sweden. After its establishment in the early 17th century as a base of export to foreign countries under the military protection of the state, the city has grown from exporting raw materials to becoming an industrial city, primarily through connection with foreign countries including Britain. From the latter part of the nineteenth century, the city has experienced a history of innovation in which, following the development of the main industries including ship-building and textile, new industries including ball-bearings and automobiles have developed derivatively to be world wide companies. On the other hand, in Göteborg there is a unique urban culture named “Göteborg spirit” that has been created through its history as a merchant city, and the subsequent establishment of institutions of research and higher education, as well as the emergence of a vibrant cultural life, which all co-exist harmoniously.
After the economic crisis in 1991, Göteborg adopted a strategy to activate industry and secure employment through attracting investment both from domestic investors and from abroad, which has resulted in the situation in which the number of foreign owned companies in Greater Göteborg area, consisting of Göteborg and adjoining municipalities, increased from about 300 in 1990 to 1500 in 2003; one fourth of the working population is working in foreign owned companies (Business Region Göteborg 2004). The fact that most companies owned by foreign capital are continuing their operation and that the concentration of companies and increase of employment in Göteborg are continuing is, taken as an indication of the advantages and attractiveness of Göteborg for high-tech industry.

The strategy of Göteborg municipality to attract investment and to secure employment must be evaluated based on external factors including networking with cities in foreign countries as well as internal factors such as export oriented industrial structure. The main characteristics of strategy and policy are as follows.

First is the policy to utilize its advantage as a base for logistics connecting areas not only within Sweden but also with other Nordic countries along with improving high technology with research and educational institutions including universities. Ongoing measures to support these developments include the improvement of transportation infrastructure from the port to the whole of the country and enlargement of the port, establishment of science-parks as a base for research and education of high technology and the construction of cultural institutions including an opera house to enhance the cultural atmosphere. The economic policies similarly attach importance to inducing and nurturing a variety of local industries with an intention to minimize the economic damage, triggered by declines in some sectors, to expand the whole area. For this purpose, various support services for the establishment of offices by foreign companies, for the exchange of information and for cluster formation among companies have been created.

Second is the policy to respond to urban problems including segregation. In Göteborg, the fact that many immigrants and low-income people have concentrated in specific areas where many public housing was constructed in the period of rapid population growth, has made the segregation problem spatially visible. On the other hand, housing areas inhabited by high-income people working in high-tech companies are extending in suburbs, making it realistic to expect that the problem of segregation will increase. It is noteworthy that, in responding to segregation, projects to restore public housing areas, with the purpose to extend employment among immigrants, are now in progress and obtaining some good results.

Third is the organization of the city council including district councils aimed at decentralization of the authority of the city council. In Göteborg, the management and decision making of services regarding welfare, education and culture are entrusted to 21 district-councils, a system intended to entrust the power of decision making to the level nearest to people. Although there are critics pointing the fact that the councilor of the district are not elected directly by people living in each
district, it is noticeable as a new trial toward democracy that each district council has enacted cooperation between service providing agencies and organizations of inhabitants and user participation (Jönsson et al 1999, City of Göteborg 2002/2003).

The policy of Göteborg can be summarized as “Employment securing World City” aiming to secure employment through attracting investment worldwide and seeking to find the way out of difficulty followed to economic globalization through keeping a positive position in global economy. Important here is that, in the course of seeking economic development as a center of logistics, urban culture and the provision of public services are, through making some kind of social capital, an indispensable base for the strategy. The role of social infrastructure is of growing importance, given the increases in disparity and segregation, and economic globalization.

On the whole, the strategy of Göteborg clearly shows that what is needed for local government today is not to have authorities limited to the provision of services decided by the central government, but rather to be responsible to local strategy in a wider sense.

Geographical Regionalization and Conversion toward Pluralistic Open System

When analyzing Swedish local economy it is important to stress the analytic point that the local economy is a relatively independent unit from the national economy (Nakamura 2004). The local structure in the modern sovereign state can be understood both from on one hand as one of plots within which nation wide economic/political activities are performed, and on the other hand as an area with indigenous characteristics formed through original economic/social relations.

Keeping this in mind, the state of Skåne and Västra Götaland can be summarized as follows. First is the fact that there is a growing necessity to consider local space as an arena where global economic activities are performed. This is obvious from the fact that the economic strategy of each city in Skåne and Västra Götaland is being pursued basically to attain an advantageous position within global economic links. Suggestive here is the argument that spatial/local distribution of supply-chain or “vertical relation among/within companies” such as headquarter-subsidiary-research institution-subcontractor has, through economic globalization, diffused worldwide (Nakamura 2004). The basic character or advantage of each local economy is defined objectively through the position within world wide economic division of labor. The strategy of Göteborg and Borås to utilize their advantage, as center of logistics through utilizing airports and so on as well as techniques and know-how accumulated historically, can be seen from this point of view.

Second is that the transformation of region wide economy is resulting in social/political transformation in local area. To understand the transformation of local
areas, the argument to grasp the dynamic relation between local economy, local structure and local policy is worth to notice (Miyamoto 1980). According to this argument, economic activity in some area is framed by social division of labor within and outside the nation, the position of the area within network of transportation, the size of market and so on. The concentration of economic activity in some area gives rise to increase of urban population along with transformation of spatial structure of the area through emerging housing areas and areas concentrated by offices resulting in emerging urban problem and a necessity of local policy. This argument suggests necessity, when considering structural transformation of local area, to pay attention to background factors including global economic activity.

Presuming the theoretic approach above, the transformation in each region can be summarized as follows. The region-wide transformation of economy and politics necessitates a reexamination or the mutual relations among local, national and global economy. Characteristic of the transformation in Skåne and Västra Götaland is that each area is seeking to strengthen regional economic/political unification. The background of it is necessity to consolidate infrastructure to support the local economy within global competition. While within region each core city is strengthening direct relations with the global economy, there is a trend toward region wide utilization of economic resources including enlarging commuting areas. This trend is, in conjunction with the necessity to strengthen negotiating power to consolidate infrastructure with central government, bringing about reorganization of regional economy and politics.

In addition, new local problems are coming into existence. The expansion of social/economic activity following to preparedness of transportation has brought about, through diversification between core city and rural areas and losing independence of each municipality as a place to live and to work, a necessity to coordinate and cooperate among municipalities including the implementation of joint enterprises. On the other hand in big cities, where concentrating economic activities, there is increasing necessity to implement policy suitable to real condition of each district including policy toward enlarging segregation following to concentration of low income people including immigrants.

In this paper we consider the process toward region wide economic/social/political unification as “geographic regionalization” to distinguish from administrative/political regions and economic regionalization. In the former, regional government, with some authority, plays a pivotal role toward unification. On the other side, when considering these process as the reorganization of nation wide land structure it can be said as transformation toward “Pluralistic Open system” within which the main urban areas are seeking to have direct connections with global economic activity to attract investment. In short, the transformation in Sweden at present can be said as conversion toward a pluralistic open system with regions as unit. Important here is the direction of policy and the substance of it. Because it is clear that transformation of land structure, which this paper considered as conversion toward
“Pluralistic Open system” with geographic regionalization, loosens nation wide economic unification and makes it necessary to reexamine governing system. It must be kept in mind that those tendencies toward region wide economic/social reorganization are suggesting the necessity to consider local government as independent subject of politics and policy.

Globalization of the local economy and multi-level governance

Welfare state policy and local government

The changing circumstances mentioned above necessitate a reexamination of the political and economic base of the Swedish welfare state as well as the local government system itself. Worth noticing here is the position of local government in the welfare state policy of SAP. The view that considers the role of local government as primarily responsible for the implementation of welfare services must be understood in light of the welfare state strategy of SAP.

Gaining power in 1930s SAP has, stressing the basic role of government to realize improvements in living standards as an ideological struggle, pursued policies to enlarge support unrestricted within labor under “Peoples home” and to realize economic development through cooperation with capital. It is obvious that this strategy of economic development has been deemed as a precondition to improve the welfare of citizens. The enlargement of welfare policy including education, sanitation and housing has not only been justified as preventive social policy but also as investment in human resource (Tilton 1990). In other words, local government, within the project of the reproduction of the welfare state regime, has been placed as provider of welfare services to complement policies of economic development.

Epoch-making in the course of welfare state construction after world war has been the enormous enlargement of welfare services including daycare and care for the elderly between latter part of 1960s and the early 1970s, a process called the “public revolution”. During this period, expenditures of municipalities and landstings, providing these services, has increased from 9 % to 20% of GNP. Important is the fact that these have been realized increasing the local tax rate, a decision by local councils responding to demands from citizen, in other words a demand “from below”. The Swedish welfare state truly has grown to have the characteristic of a “local welfare state”. The word “Service Democracy” has been coined to describe this enlargement of services, with positive connotations regarding the role of government to realize improvements in the living standards of citizens (Nilsson 1996).

Important here is the fact that the enlargement of welfare services has been put into practice side by side with large-scale amalgamation of municipalities. Through amalgamation of municipalities executed in the 1950s and early 1970s the number of municipalities was reduced from more than 2500 in the early 1950s to 280 in the early 1970s. The main argument of SAP to amalgamate municipalities has been
to realize efficient service provision. For SAP it has been definitively important that social service and social rights have been guaranteed all over the country at the same level and municipalities must be organized as part of an integrated apparatus for public administration. Political democracy must be effective in the *riksdag* and to provide public service, which has been deemed a primal role for municipalities, it has been considered unavoidable to make large-scale municipalities through amalgamation to enlarge service provision. Interesting enough is that the purpose of the decentralization of authority to local government, executed thereafter, has remained within the thinking of local government as such. The main purpose of decentralization has been to make the provision of service effective, rather than to extend local self-government, by making it possible to adapt to local circumstances through the devolution of authority (Strandberg 1998). The problem with this understanding from the point of local self-government is that the role of local self-government is limited within the scope defined by the decisions of the central government/ the *riksdag*; local governments must, in other words, adapt to the demands of citizens and local peculiarities, but also meet the demand to ensure efficiency in the provision of service.

It is obvious that this thinking on government and democracy presupposes influence of citizen through political parties on the decisions of government and the *riksdag*. Meanwhile, the Swedish Commission on Democracy, established by SAP government, has proposed extensive decentralization and a governance style including devolution of some competence to NPO, with attention paid to the fact that attitudes of citizen to politics is changing on a large scale as shown by for example establishment of and taking seats by local parties, organizing demands which existing parties failed to grasp. The commission also stressed the participation of civil society in political decision making (Amnå 2006).

**Conversion of Swedish system and multi-level governance**

In Sweden there are changes relating to the nationwide economic/political system as a whole that have been prompted by economic globalization. First, the power of the central government to control economic activity through financial policy has been restricted. Investment by global companies, based on global strategies, has lost direct connection with domestic investment and the aim to increase employment. Second, there is a growing importance of the governing system on the regional level following economic globalization, showing itself in the establishment of the system to mobilize region-wide resources to foster local development strategies. Third is the growing diversification of local society and problems. The globalization of local economy has brought about increasing disparities among local areas and complex local problems, especially in big city areas, including low income groups, an aging population and so on, necessitating policies that fit the local circumstances.

In the basic strategy toward welfare state of SAP, it has been put importance to rationalize nation wide industrial structure and declining of disadvantageous indus-

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tries has been deemed an unavoidable phenomenon. In this meaning, the model in which local government’s main role is service provision, presuming citizen influence through political parties, can be said to be compatible with the strategy and also properly expresses mutual relation between citizen and government under the construction of welfare state, presuming continuous economic development. In this model, the role of companies has been to ensure increases of employment through economic development and the role of central government to control it.

These presumptions, it can be said, are under pressure to be reexamined. First, worth noticing is the fact that, under transition toward geographical regionalization and pluralistic open system, there is an increasing importance of decisions by local government on economic/industrial strategy concerning managing local economy and securing employment, which on the one hand diminishes the persuasiveness of the view that the role of local government is primarily service provision, and increases the necessity for local government to make political decision independently from central government on the other. Second is the problem of arguing that provision of service to raise the welfare of citizen is separate from policies influencing the local economy and employment. It is obvious that in the local area, given that the local economy is directly influenced by global economic activity, there arise peculiar subjects of policy directly relating to welfare and the happiness of citizen, making it necessary to guarantee the participation by citizens in decision making on local policies. In other words, there is a growing importance of areas where local government must play a deciding role, with indigenous resource of the area, as basic unit of local economy/politics.

In sum, following the transition towards a pluralistic system, the thinking which restricts the theoretical frame of the role of local government to the provision of services becomes less compelling. The main focus around local self-government and the reform of local government is to clarify its position in relation to the central government, not as an agent of the central government but as an independent subject with some authority on political/economic matters.

In this paper we consider the system of multi-level governance including neighborhood councils, the municipality, regional government, nation state and EU as the institutional frame of democracy. Important points are as follows. The first is the role of the primary municipality. Important here is to understand the municipality as a primal unit to realize local economic and social development and the happiness of citizen. It seems necessary to realize decentralization within big city that are capable of adapting to conditions of each area and to act collaboratively with local society. Second is the role of regional and sub-regional government. It is obvious that economic globalization has accelerated economic disparities among local areas through declining of existing local industry. In this sense, the direction for local development in the future must be a combination of plural models including the formation of center of local industry as well as sustaining areas with decreasing populations. In that sense, the role of regional government is to overarch and
support these models and give rise to growth and stability. Third is the role of central government to enact a nation wide resource redistribution and to secure the rights of citizens. It is clear that the expansion of power of the local level is not simply in the direction of “dismantling the sovereign state”. At the same time it must be pointed out that, with the projection of expanding economic disparity, the subjects of both insuring the general rights in the whole country on the one hand, and the expansion of local authority on the other hand, become vital to keep support from the general public. The development of democratic institutions in the future will be necessary. Fourth is to control policy of EU and its influence on activity of local government.

The focal point for multi-level governance and reform toward decentralized welfare state must be considered with above factors in mind. And it must be imagined as a system that guarantees influence of individuals to multilevel government.

Notes
1. My interview Sep 2007 with Mats Svegfors.
2. This section is based on my interviews in Skåne on Oct.2006 with persons including: Malmö municipality commissioner (S), Lund municipality commissioners (S), (fp), Region Skåne commissioners (M), (G), (S=political secretary), Director of Scania Association of Local Authorities, Director of The Chamber of Commerce South Sweden, and personnel of Region Skåne.
5. My interview Jan 2007 with Henrik Einarsson Head of Analysis of Business Region Goteborg AB.
6. My interview Feb 2007 with Anders Thoren in Forvaltings AB Framtiden
7. My interview with Anders Källström CEO of West Sweden Chamber of Commerce and Industry.

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