

Policy-Making in Central-Local Government Relations: Balancing Local Autonomy, Macroeconomic Control, and Sectoral Policy Goals

JENS BLOM-HANSEN *Department of Political Science, Aarhus University, Denmark*

ABSTRACT

This paper seeks to explain patterns of central government control and local government discretion across nations as well as across policy areas. The argument is that central-local policy is the result of the interaction of three types of actors: ‘Expenditure advocates’, ‘expenditure guardians’, and ‘topocrats’. The argument is based on two assumptions. First, the actors are assumed to pursue self-interests – respectively, sectoral policy goals, macroeconomic control, and local autonomy. Second, the actors’ abilities to pursue their self-interests are assumed to be constrained and facilitated by the structure of intergovernmental policy networks. The theoretical propositions are put to a first test in a comparative analysis of three policy areas (economic policy, health policy, and child care policy) in the three Scandinavian countries of Sweden, Norway and Denmark.

It is trivial to note that patterns of central government control and local government discretion vary across countries. That fact is now well documented. It is also trivial to note that central-local relations vary across policy areas. That fact is also well documented (Bennett 1990; Page and Goldsmith 1987a; Sharpe 1993; Hesse 1991; Page 1991; Batley and Stoker 1991; Rhodes 1992 [1988]). Trying to explain these differences, however, is less trivial. Most explanatory attempts have focused on national characteristics such as the development of the welfare state (Kjellberg 1988), party systems (Page 1991, 108–137; Ashford 1982, 126–169), urbanization (Sharpe 1988), recruitment patterns to nation parliaments (Mackenzie 1954; Knapp 1991) or the historical background of the local government system (Chandler 1993).

While able to contribute to explanations of cross-national differences, these factors, however, cannot explain differences across policy

areas within the same country. This is unfortunate, since, as noted by Page and Goldsmith (1987b, 161), ‘local discretion appears to vary more between services than between states’. What is needed is an approach suited to explaining cross-national as well as cross-sectoral differences. The present paper is devoted to this task.

The argument is that central-local policy is the result of the interaction of three types of actors: ‘Expenditure advocates’, ‘expenditure guardians’ and ‘topocrats’ whose abilities to pursue their self-interests are constrained and facilitated by the structure of intergovernmental policy networks. This argument is developed in several steps. First, we discuss how central-local policy is made and argue that the organization of the decision-making process makes a difference. We then consider methodological problems in testing this argument before moving on to an empirical analysis of central-local government relations in the three Scandinavian countries of Sweden, Norway and Denmark. These countries represent examples of differently organized central-local policy-making. Due to their otherwise very similar nature, they make it possible to conduct a first test of the argument. Three policy areas are scrutinized in the analysis: Economic policy, health policy and child care policy. The evidence suggests that the organization of central-local policy-making does indeed contribute to our understanding of differences across nations as well as across policy areas.

Central-Local Policy-making: Theoretical considerations

In order to theorize central-local policy-making we have to deal with the classical problem of structure and agency. We must identify the structures within which central-local policy-making takes place in order to determine how much room they leave for actors.

Structure in central-local policy-making

In federal states subnational governments have constitutional protection. In unitary states subnational governments may in theory be changed, or even abolished, at the will of the central government. Reality is different. Even in unitary states central governments are rarely as autonomous as the formal institutional set-up might indicate. They depend on the resources of actors in their surroundings for political support, information, expertise or implementation of policies. Formal institutions are underpinned or supplanted by informal policy networks in which central government actors interact with actors in their surroundings in order to formulate and implement policies (Benson 1982; Hanf 1978; Hecló 1978).

TABLE 1: *Intergovernmental policy networks as institutions*

	Policy communities	Issue networks
1. Position of actors	Negotiators	Rulers and pressure groups
2. Boundary of the institution	Includes only government and representatives of local governments	Government and various types of interest organizations
3. Decision-making procedure	Unanimity	Consultation
4. Scope of decisions	Policy formulation and implementation	Policy formulation
5. Pay-off rules	Influence and responsibility	Influence

Informal policy networks vary in shape and cohesion. They may be categorized along a continuum from strong networks at the one extreme to loose networks at the other, on the basis of dimensions such as membership characteristics, degree of integration of members, distribution of resources and power. A *policy community* is thus a tightly knit policy network, whereas actors in an *issue network* are more loosely coupled (Marsh and Rhodes 1992; Smith 1993, 56–75). Applying the policy network approach to central-local government relations has made it clear that the real organization of central-local policy-making varies across nations and policy areas (Rhodes 1992 [1988]; Sharpe 1985; Benz 1994). However, the policy network is primarily a descriptive tool. In order for the concept to gain explanatory power we must combine it with a model of the Actor (Blom-Hansen 1997; Dowding 1995). To accomplish this, we must begin thinking of policy networks as institutional surroundings which provide actors with incentives for certain courses of action. In other words, we must ‘translate’ structures into inducements. Following Ostrom (1986), we may conceptualize policy networks as rules governing action. In this way, policy networks may be defined as institutions, as illustrated in table 1.¹

Actors in central-local policy-making

To table 1 we must add behavioural assumptions concerning the actors. At the most general level it is possible to distinguish among three different types of actors in central-local policy-making. The first type is what Beer (1978) refers to as ‘topocrats’ (from the Greek *topos*, meaning place or locality, and *Kratos* meaning authority). Topocrats are representatives of subnational governments. They organize to further their interests, and topocratic associations are found in most Western countries (Page 1991, 43–56; Cammissa 1995, 21–34). Topocrats appear to be increasingly important in national policy-making. In federal states,

central-local government relations seem to have moved in the direction of 'cooperative federalism', in which policy to an increasing degree must be made on the basis of joint action between governments (Elazar 1991; Bakvis and Chandler 1987; Scharpf 1988). In unitary states, topocrats are also important in national politics. In France, due to the 'cumul des mandats', central policy-makers in effect act as guardians of local government interests in the national political process (Schmidt 1990; Meny 1988). In the UK, local government associations 'live in the village that is Westminster and Whitehall, meeting with ministers and civil servants on a virtually routinized basis' (Rhodes 1986, 1). As we shall see, local government associations are also important political actors in Scandinavia.

The *raison d'être* of local government associations is to defend sub-national governmental interests at the central level. In practice, this may entail a variety of policy stances depending on the issue at hand. Systematic, comparative knowledge of the associations' actions and views is limited (cf. Page 1991, 45). Rhodes' (1986, see esp. chapter 6) analysis of the local government associations in the UK points to a bewildering array of interests being promoted and defended. However, local government associations basically exist to protect and promote members' interests, and this appears to lend their actions a more systematic direction than Rhodes seems to acknowledge. In Haider's classic study this systematic pattern is formulated in the following terms:

The [subnational government interest] groups represent state and local governments as an interest which, in aggregate, means the incorporation of nationwide cleavages and factions within their organizations. Narrow, precise claims, therefore, are often more difficult to generate than broader, more encompassing ones. From a systems perspective the groups provide general demands upon federal actors and institutions. . . . They are protective of the autonomy, fiscal viability, and integrity of the particular level of government they speak for (Haider 1974, 214–215).

A good starting point for formulating general, testable hypotheses on topocratic behaviour in political systems seems to be to regard local government associations as defenders of subnational autonomy.

The remaining two types of intergovernmental actors may be characterized by a distinction well known from the budget literature, namely that between 'expenditure advocates' and 'expenditure guardians' (Schick 1988; Wildavsky and Caiden 1997, chapter 1). The expenditure advocate is the role played by those actors who have an interest in working for new public programmes, increased funding of existing programmes, new types of public regulation etc. Together, expenditure advocates may form a 'professional bureaucratic complex' (Beer 1978) and constitute an expansionary force working for sector-specific policy

goals in the political system. The expenditure guardian is the role played by actors who have an interest in macroeconomic control and in restraining public expenditure and public sector activity. The two roles may be played by a variety of actors at the central level, and a given actor may even select his role depending on the issue at hand (cf. the discussion in Meyers 1996, ch. 1). However, a certain basic pattern in the distribution of the roles seems to be apparent. As noted by Wildavsky and Caiden:

All members of Congress care about the relation of spending to taxing, and so do voters; they fear the consequences both for their own reelection and for their institution, if they continually spend more than they can raise. For that reason the appropriations committee were constituted with extensive powers. Members of authorizing committees have delegated to members of appropriations committees the power (subject to floor votes) to limit spending. Thus the appropriations committees are in an *inherently adversarial relation* with the rest of Congress (Wildavsky and Caiden 1997, 12; emphasis added).

Wildavsky and Caiden's point seems to be more generally valid: Some institutions are created to play a certain budgetary role and do so most of the time. A good starting point for formulating general, testable hypotheses thus seems to be to regard certain institutional actors as expenditure advocates and others as expenditure guardians. Interest organizations, sectoral ministries, and sectoral parliamentary committees may all be assumed to act as expenditure advocates in most situations, while finance ministries and parliamentary budget committees are likely to play the role of expenditure guardians.

We now have players for a game in which three types of goals are pursued: Local autonomy, sectoral policy goals and macroeconomic control. The actors may agree on the general importance of all three goals. But they are likely to disagree on how to prioritize them. If they pursue their self-interests, expenditure advocates will assign sectoral policy goals the highest priority. Likewise, expenditure guardians are likely to maximize macroeconomic control, while topocrats primarily work for local autonomy. The relative influence of the three types of actors thus becomes important. Instances may be found where the three goals are not in conflict, but in general all three can rarely be optimized at the same time. Optimizing sectoral policy goals is costly and may soon come into conflict with macroeconomic control. Sectoral policy goals also run counter to local autonomy, unless central and local governments have identical policy positions. Finally, macroeconomic control comes into conflict with local autonomy unless local governments automatically follow central economic policy guidelines. In other words, a trade-off is likely to be involved in the pursuit of these three goals. The trade-off is illustrated graphically in Figure 1. If one actor has the

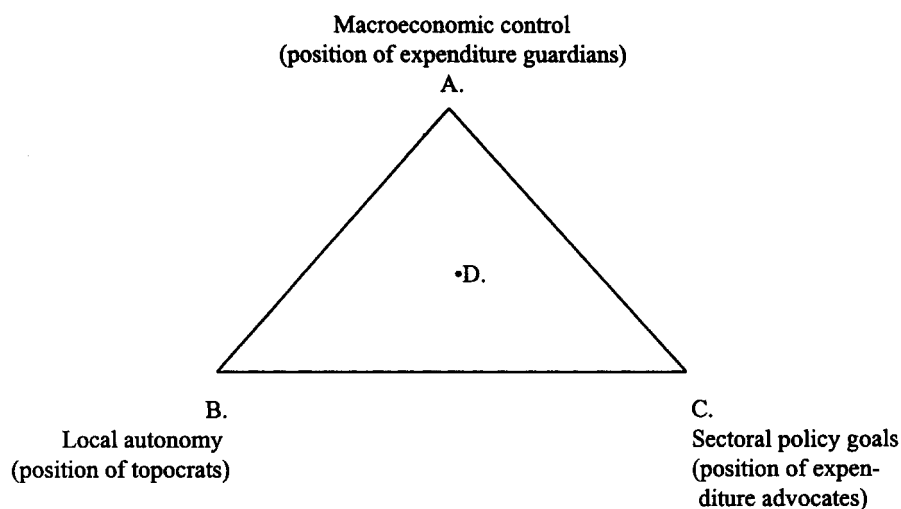


FIGURE 1: *Trade-offs in central-local policy-making.*

position of a dictator in central-local policy-making, policy favours only this actor's policy goal. In the figure, we are in one of the three corners A, B or C. If two, and only two actors are involved, then policy will express a balance between their policy goals. In the figure, we are on one of sides, i.e. one of the three lines A—B, B—C or A—C. If all three actors have a say, policy will express a balance among the policy goals of all three actors. In the figure, we are somewhere inside the triangle ABC. If the three actors are equally influential, policy will express a perfect balance among their goals. In this situation we are at point D in Figure 1.

Since actors cannot be expected to be altruistic, it is crucial who makes the balancing act, and this is where structure becomes important. Policy networks may be so closed that some actors are virtually organized out of politics, while others are organized in. Structure thus constrains or facilitates the actors' pursuit of interests.

Theory Testing: Establishing the Position of the Three Actors

The theoretical argument is that the organization of central-local policy-making matters because it presents our three types of actors with different opportunities for pursuing their interests. The argument may be formulated as the hypothesis that the organization of central-local policy-making matters for the ability of the political system to pursue different policy goals. The weaker the position of one of the three actors, the less able the political system is to pursue this actor's

policy goals. Formally, the policy goals of the weak actor may be adhered to since these may be legitimate, but the pursuit of such goals easily turns into symbolic politics.

In the remainder of the paper this hypothesis will be put to a first test by way of a comparative analysis of three policy areas (economic policy, health policy, child care policy) in the three Scandinavian countries of Sweden, Norway and Denmark. These three countries are similar in so many respects that a host of potentially 'noisy' variables are held constant. *The political systems* in the three countries are fairly similar. They are all unitary states with parliamentary systems and proportional elections to all three levels of government (Damgaard 1992; Rommetvedt 1992; Sannerstedt and Sjölin 1992). *Party politics* is also a relatively similar phenomenon. In all three countries the political scene is dominated by three classical types of parties: Social democrats, conservatives and liberals. In all three countries these parties are represented roughly to the same degree at central, regional and local levels (Blom-Hansen 1998d, Table 7) Concerning *local governments* all three countries are divided into two tiers below the central government: counties and municipalities. The functions of local governments are roughly similar. After large-scale amalgamation reforms in all three countries in the post-war period, local governments have become the implementing agencies of the welfare state. Their main tasks lie within core welfare areas such as social affairs, health care and education. Consequently, local governments in all three countries are responsible for the lion's share of public expenditure (Bogason 1987; Fevolden and Sørensen 1987; Kjellberg 1988; Lane and Magnusson 1987). While similar in these basic respects, the following paragraphs will demonstrate, however, that the three countries differ considerably as regards the organization of central-local policy-making.

Topocrats in Scandinavia

Local government associations are important political actors in Scandinavia. In all three countries these associations organize all potential members although membership is voluntary. Further, representational legitimacy is unequivocal since all local governments can only be members of one association. Finally, general surveys of interactions between the central government and interest organization demonstrate that the local government associations in all three countries are regularly consulted on almost all matters of relevance to their members (St.meld.nr. 7/1997–98; Christensen and Christiansen 1992, 63–80; Petersson 1989, 112–137). General characteristics of the associations are summarized in Table 2.

TABLE 2: *Local Government Associations in Scandinavia*

	Sweden		Norway		Denmark
Name of association	<i>Svenska Kommunförbundet</i>	<i>Landstingsförbundet</i>	<i>Kommunenes Sentralforbund</i>	<i>Kommunernes Landsforening</i>	<i>Amstrådsforeningen</i>
No. of employees	336	196	208	300	160
Target members	Municipalities	Counties	Municipalities and countries	Municipalities	Countries
Percentage of target members organized	100	100	100	100	100

Despite the organizational similarities, the three countries differ in the extent to which the associations are involved in policy formulation. To see this, we examine the degree to which *formal agreements* between the central government and local government associations are used as an alternative to parliamentary decision-making. These intergovernmental agreements are political in nature, i.e. they are recommendations and not legally binding for the members of the associations since these do not have any formal hierarchical control over their members. The logic of the agreements is that the associations assume responsibility for coordinating their members' activity in order to achieve the specified goals. The use of agreements as an alternative to parliamentary regulation resembles corporatist decision-making known from labour market policy, agricultural policy incomes policy. The use of agreements in central-local government relations indicates a privileged position for the local government associations in the decision-making process. Outside Scandinavia, intergovernmental agreements are used in, at least, Finland (Ståhlberg and Oulasvirta 1996; Oulasvirta 1993), the Netherlands (Kreukels and Spit 1989; Van de Dussen 1993), and the United Kingdom in the 1970s (Rhodes 1986, 101–152).

In the Danish case, central-local government relations have been coordinated in a system known as 'budgetary cooperation between central and local government' for decades. The comprehensive local government reform of 1970 paved the way for a massive transfer of functions from the central government to the new municipalities and countries, concurrently with the expansion of the Danish welfare state. The growing importance of local governments led to the central government having an interest in maintaining greater financial control, and this was pursued in collaboration with the local government associations. Control was pursued via agreements between the central government, represented by the economic ministries, and the local government associations. In almost every year since the early 1970s, such agreements

have been reached between the central government and these associations. The agreements specify desirable general taxation and expenditure levels for the local governmental sector. The logic of the agreements is that the associations assume responsibility for coordinating their members' budgets so that local taxation and expenditure is kept within the agreed bounds. From being a purely macroeconomic coordination instrument during the 1970s, the 'budgetary cooperation' developed into a general mechanism of central-local government relations. Although not used in all instances, it has proven effective for the Danish minority governments in the 1980s and 1990s to negotiate central-local policy initiatives with the associations before presenting them to parliament. The agreements made in the 1980s and 1990s thus contain major initiatives in all policy areas in which local government is involved. Given the magnitude of local government tasks, this means most welfare areas (Blom-Hansen 1998d). In a review of regulatory mechanisms between central and local government, the Danish central government notes:

The system of agreements is the traditional alternative to legal regulation. Agreements are made between the central authorities and local government representatives in almost all policy areas (Ministry of the Interior 1994:81; author's translation)

Although the negotiation agenda has been expanded, the partners behind the annual agreements have not changed. The economic ministries and the associations of local and regional governments still negotiate and conclude the agreements. This exclusive access to the central government makes the Danish local government associations an example of relatively strong topocrats.

In the Norwegian case, we have an example of very weak topocrats. The local government association is consulted as a matter of standard operating procedure by the central government in all matters of relevance to the members of the association (Rose 1996, 203–205). But relations go no further than that. As noted by Fevolden and Sørensen:

The NKS [The Norwegian Association of Local Authorities] has no regular or formal contact with central government agencies. Its influence depends on invitations to comment on central government policy proposals, giving it a rather limited access to the central decision-making process (Fevolden and Sørensen 1987, 44).

In a Norwegian context, agreements negotiated between the central government and local government associations have not been used as an alternative to parliamentary decision-making. In a detailed review of regularly mechanisms between central and local government, the Norwegian central government does not even analyze or mention agree-

ments as a theoretical option (st.meld.nr. 23/1992–93, Ch. 3). The only active role which the central government really sees for the local government association is for it to participate in ‘the general debate in society’ on ‘what municipalities and counties ought to do and how they ought to do it’ (ibid.: 54; author’s translation). A further indication of the relatively weak position of the local government association is that members often bypass it in their lobbying efforts towards the central government (Sørensen 1998).

Sweden represents an intermediate case. In contrast to Norway, we find many examples of agreements between the government and the two local government associates, where the associations assume the obligation of persuading members to adhere to central policy guidelines in return for influence. Examples include the standardization of local government accounting systems in the 1950s; the regulation of public schools in the late 1950s; economic-organizational aspects of the high school reform in the 1964; the transferral to the counties of public responsibility for the care of the mentally impaired in 1967; and the improvement of public child care in the mid-1970s.² In a 20-year old review of regulatory mechanisms between central and local government, the Swedish central government was of the opinion that:

It is not unusual to negotiate questions concerning the division of tasks and economic responsibility between the central government and local governments. Through agreements [with the central government] the local government associations are obliged to recommend that local governments follow the guidelines which are agreed upon in the negotiations. The end result is thus likely to be the same as if regulation had been made by legal means (SOU 1977: 78, p. 157; author’s translation).

There is thus a tradition of involving local government associations in central-local decision-making in Sweden. But most of these examples are isolated incidents and do not add up to a decision-making procedure which is systematically followed, as in Denmark. In certain policy areas, however, the associations have a relatively strong position. In the area of macroeconomic policy, a system quite similar to the Danish system was utilized during the 1970s (Greenwood 1979), but it was abolished in the early 1980s. Today, agreements with local government associations are used consistently only in the area of health policy. In 1985 the central government’s earmarked grants to the counties’ health tasks were consolidated into one general block grant. The size of the block grant is the object of annual negotiations between the Ministry of Health and the association of county councils. The negotiations normally end in agreements which, apart from the size of the block grant, normally encompass a range of health policy initiatives, which are then recommended for implementation by the association

(Blom-Hansen 1998b). All in all, the influence of Swedish topocrats varies according to policy sector. There is no general, cross-sectoral system like the Danish system of 'budgetary cooperation', but agreements with local government associations are used more frequently than in Norway. Hence, we label Sweden an intermediate case in relation to the position of topocrats.

Expenditure advocates and expenditure guardians in Scandinavia

Establishing the relative position of expenditure advocates and expenditure guardians may be accomplished by looking at the national budget process. Making the budget is a negotiation process between these two types of actors. The expenditure advocates strive to maximize their share of the public pie, while expenditure guardians seek to constrain the growth of the public sector (Schick 1988; Wildavsky and Caiden 1997). The relative strength of the players is reflected in the organization of the budget process. A tight and closed budget process strengthens the bargaining position of the expenditure guardians, while a loose and open process strengthens the position of the expenditure advocates (Hagen et al. 1996). Bargaining takes place in all phases of the budget process. The government's preparation of the budget is a contest between spending agencies and the 'fiscal bureaucracy' (Hahn et al. 1996). Likewise, the parliament's enactment of the budget is a contest between spending committees and budget committees (Crain and Muris 1995). The contest continues throughout the budget year. If it is easy to have appropriations enlarged during the year, a tight process in the first two phases may be of limited value.

The starting point for measuring the tightness of the national budget process is von Hagen's study of the EU-countries, one of most comprehensive comparative analyses of national budget processes (Von Hagen 1992). Here, all three phases of the budget process – governmental budget preparation, parliamentary enactment of the budget and the observance of the budget during the budget year – are compared according to their score on a number of institutional indicators. Von Hagen's study included Denmark, but not Sweden and Norway. However, Swedish and Norwegian researchers have subsequently analyzed their national budget processes according to von Hagen's indicators (Molander 1992; Borg 1997; Helland and Rasch 1997). The results are reported in Table 3.

Although the tightness of phase 1 in the Swedish budget process appears somewhat ambiguous, Table 3 shows that Denmark represents an example of a tight budget process, while Sweden and Norway represent examples of relatively loose budget processes. The implication is

TABLE 3: *The National budget process in Denmark, Sweden, and Norway*

	Denmark	Sweden	Norway	
	von Hagen (1992)	Molander (1992)	Borg (1997)	Helland and Rasch (1997) ¹
Government's preparation of the budget (max. score: 16)	12.33	4.0	8.33	8.0
Parliament's enactment of the budget (max. score: 20)	12.0	6.0	8.0	8.66
Observance of the budget during the budget year (max. score: 25)	10.4	6.7	6.73	8.53
Total score	34.73	16.7	23.06	25.19

Explanatory note: The higher the score, the tighter the budget process. All scores refer to situation in 1991–92.

Note 1: Helland and Rasch's evaluation of the Norwegian budget process is evident in broad outline from Figure 2 in Helland and Rasch (1997). The precise scores were kindly reported by Leif Helland upon request from the author.

that is easier to be an expenditure advocate in Sweden and Norway than in Denmark.

Table 3 is a snapshot of the situation in the early 1990s. But budget systems change. Since our period under investigation is relatively long – the 1980s and 1990s – we must consider whether any major changes have been undertaken during the past 15–20 years. In the 1980s all three countries implemented reforms of phase 1 and 3 in their budget processes, i.e. the government's preparation of the budget and the observance of the budget during the budget year. These reforms were not of identical magnitude in the three countries. Denmark probably implemented the most comprehensive reforms, and Sweden the least comprehensive, but all had the same directions. Following a general development trend in the Western world (Tarschys 1985), the reforms have increased the use of fiscal norms and spending ceilings in the preparation of the budget and broadened the degree of managerial flexibility in the keeping of the budgets during the budget year (Christensen 1992; Petersson and Söderlind 1993, 188–198; Stokke 1993). Phase 2 in the budget process, i.e. the parliament's enactment of the budget, is unchanged in Denmark, while important changes were decided in Sweden and Norway, but not implemented until 1996–97 (Borg 1997; innst.S.nr.243/1996–97), i.e. almost at the end of the period under investigation. All in all, it seems fair to conclude that the pattern illustrated in Table 3 is indicative of the whole period under investigation.

TABLE 4: *Intergovernmental policy networks in Scandinavia*

	Denmark	Sweden	Norway
Topocrats	Strong	Medium (strong in some policy areas)	Weak
Expenditure advocates	Weak	Strong	Strong
Expenditure guardians	Strong	Weak	Weak

The general picture

We may now sum up the position of our three actors in the Scandinavian countries. This is done in Table 4.

In Denmark, the intergovernmental policy network is close to the policy community end of the network continuum, cf. Table 1. The cross-sectoral network gives expenditure guardians and topocrats a structurally favoured position in the formulation of central-local policy. In terms of Figure 1, the Danish system is close to the line A–B. The Norwegian case is the exact opposite. Although the intergovernmental policy network is closer to the issue network end of the continuum, cf. Table 1, the structural arrangements favour expenditure advocates, at the expense of expenditure guardians and topocrats. In terms of Figure 1, Norway is close to the point C. Sweden is a third type of case, but the character of the intergovernmental policy network varies across policy areas. In some areas, such as health policy, topocrats are strong. Given the relatively weak position of expenditure guardians, this structural set-up represents a third variant. In terms of Figure 1, Swedish health policy is close to the line B–C. Other policy areas in Sweden are closer to the point C.

Empirical Analysis: Comparing Three Policy Areas in Scandinavia

In the following we will analyze central-local government relations in economic policy, health policy and child care policy in the three Scandinavian countries in the 1980s and 1990s. The focus of the analysis will be on the degree to which policy in these three areas favours the actors given a privileged position in the decision-making process.

Economic policy, health policy and child care policy were chosen for two reasons (which will be elaborated upon in the respective subsections). First, the ‘intergovernmental dilemma’ is clear in all three areas, i.e. local governments have a certain degree of autonomy at the same time as the central government has relatively clear policy goals. This means that if central guidelines are to be implemented, lower levels of government must be coaxed or forced to comply. Second, the three policy areas are ‘comparable’ (Lijphart 1971), i.e. they are

organized along similar lines in the three countries, but the relative position of our three actors vary, i.e. in terms of policy networks.

Three different measures of 'central local policy' will be used in the empirical analysis. The first is to establish the degree of *policy efficiency*, i.e. the degree to which policy goals and actual developments correspond. This measure is valid but difficult to employ in all three areas because governments do not always specify policy goals in exact terms. The second measure is to examine *policy strategies*. This involves an analysis of the instruments employed in order to reach policy goals. Different policy instruments suit our three actors to different degrees. For example, detailed coercive regulation by law does not pay much respect to local autonomy. Intergovernmental grants do not respect macroeconomic control, at least not in the typical form of open-ended matching grants, because central expenditure then becomes tied to local decisions. Agreements between the central government and local government associations do not sit well with the interest of expenditure advocates since such agreements typically leave room for deviations in individual cases, i.e. central standards are not met in all cases. The third measure is to inspect *policy failures*. They demonstrate that present efforts are insufficient and that more or something else must be done if given policy goals are to be achieved. Policy failures may thus clarify the dilemmas and trade-offs involved in pursuing policy goals.

Economic Policy

Being responsible for the lion's share of public expenditure local governments are heavy-weights in the public economy of all three countries. This means that if the central governments in Scandinavia want to use the public budget as a means of regulating the economy, they face the problem of intergovernmental budget control. In other words, macroeconomic management implies macroeconomic control of local governments. Consequently, controlling local government expenditure has been an economic policy goal of considerable salience in all three countries for several decades. Institutions for handling the problem were established in all three countries in the 1970s, when mounting macroeconomic problems, the expansion and, not least, the decentralization of the welfare state gave the central government in all three countries an interest in controlling local economic activity. However, controlling local government budgets is a challenge of major proportions in all three Scandinavian countries. The main reason is that local income tax provides local governments with an independent source of revenue of considerable magnitude (Blom-Hansen 1998a; 1998b).

In Denmark, macroeconomic control of local governments has been

pursued via a combination of corporatist means and legal regulation. In almost every year since the early 1970s, economic agreements have been entered into between the central government and the associations of counties and municipalities. These agreements specify desirable general taxation and expenditure levels in the local government sector. They are recommendations and therefore not legally binding for the members of the associations. But the associations assume responsibility for coordinating the members' budgets in order to keep taxation and expenditure within the agreed limits. However, corporatist agreements were not the only policy instruments applied. Corporatist agreements have been supplemented with legal regulation of local government finances. Among other things, grants have been reduced, and – for a few years – fees on expenditure increases were introduced.

In Sweden, the central government has relied on legal regulation of local government finance to gain macroeconomic control in the 1980s and 1990s. Prominent among these instruments have been the reduction of grants, the manipulation of the definition of the local tax base, the freezing of tax revenue and liquidity and fees on tax increases. In 1991 the central government imposed the hitherto toughest measure: it simply forbade local tax increases. Initially the tax stop was limited to two years, but it was later extended to three years. Due to the dubious constitutionality of this measure, the central government has backed down in recent years. Today the Swedes rely on automatic grant reductions in case of local tax increases to keep local activity in check.

In Norway, the independent taxation rights which, in principle, are accorded to all Scandinavian local governments are but a formality. Since 1911, the central government has imposed an upper limit to local tax rates, and since the 1970s all local governments have levied the maximum rate. In reality, therefore, the central government sets local tax rates. Being in control of local taxation and, of course, grants, the Norwegian central government controls 80–90 per cent of local government income. The manipulation of these two instruments has constituted the central part of the central government's control strategy in the period since 1980.

To determine the relative success of macroeconomic control of local governments we will look at how well the central governments *planned* growth rates for local governments tally with *actual* expenditure developments in the local governmental sector. This evidence is presented in Figures 2–4. All three countries show considerable differences between planned and actual growth rates. In Sweden, the central government consistently *underestimated* growth rates in the 1980s, but *overestimated* them in the 1990s. In Norway, the central government has underestimated growth rates almost every year during the entire

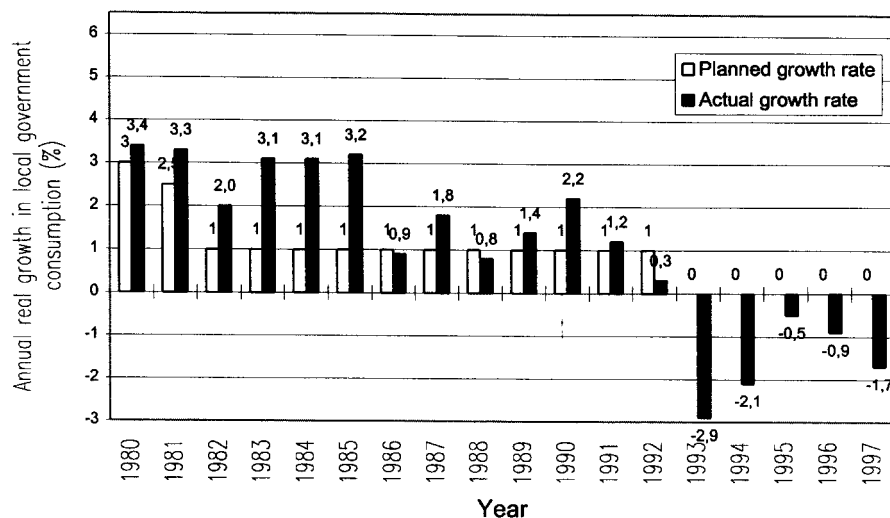


FIGURE 2: Sweden: *Local government consumption 1980–97. Central government plans vs. actual growth*

Note: 0 and the absence of a column indicates that the planned growth rate is zero.

Source: Blom-Hansen (1998d). Actual growth rate in 1996 and 1997 is an estimate.

period. In Denmark, there is no clear pattern as to over- and underestimation. In the present context, however, it is more interesting to compare the three countries' relative scores. As a way of summarizing the figures we calculate the sum of differences between planned and actual expenditure developments for the entire period 1980–97. We use the numerical sum since positive and negative differences between planned and actual expenditure developments are equally important. The higher this sum, the less effective the control. In the case of Norway, the sum is 31.3. In the cases of Sweden and Denmark, the sums are respectively 20.3 and 16.4. This condensed measure suggests that macroeconomic control of local governments is considerably less effective in Norway than in Sweden and Denmark, and that control is somewhat more effective in Denmark than in Sweden. Given the strong position of expenditure guardians in Denmark, this pattern was to be expected. We may further note that the corporatist agreements used in Denmark have been in better accordance with local autonomy than the reliance on legal regulation in Sweden and Norway. Given the strong position of topocrats in the Danish network, this pattern is also to be expected.

Health policy

From a methodological perspective, a comparative analysis of the Scandinavian health care systems has three sets of advantages. First, health

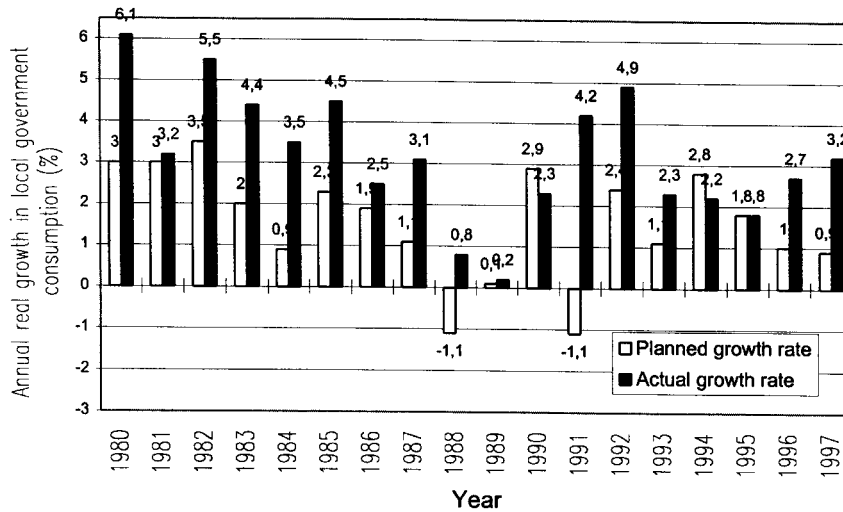


FIGURE 3: Norway: Local government consumption 1980–97. Central government plans vs. actual growth

Source: Blom-Hansen (1998d). Actual growth rate in 1996 and 1997 is an estimate.

care is organized along very similar lines in the three countries. Responsibility lies with the countries, the middle tier in the public sector in all three countries. Hospitals owned and operated by counties constitute the basis of lifting this responsibility. The central government regulates the area by law, but at the same time the health care

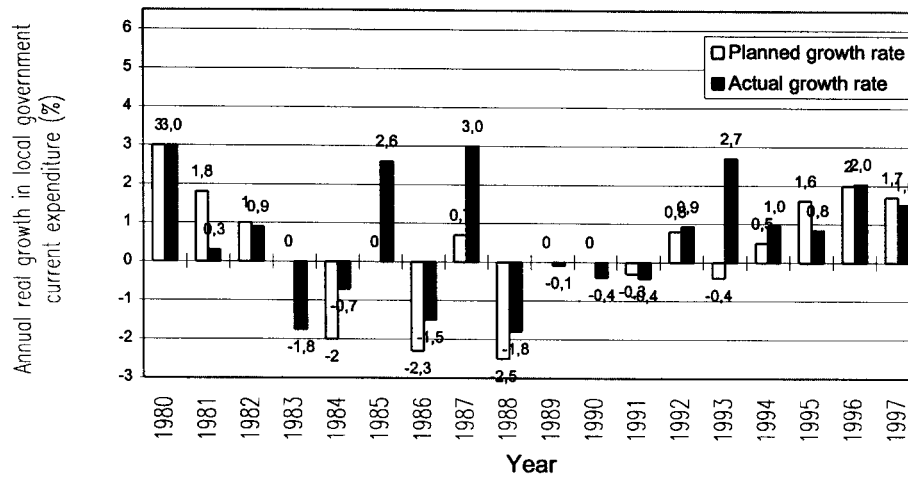


FIGURE 4: Denmark: Local government current expenditure 1980–97. Central government plans vs. real actual growth.

Source: Blom-Hansen (1998d). Actual growth rate in 1997 is an estimate. 0 and the absence of a column indicates that the planned growth rate is zero.

sector represents one of the most decentralized policy areas in the three countries. The hospitals are financed by county income taxes and central government grants in all three countries. Second, the Scandinavian central governments have pursued almost identical policy goals in their hospital sectors in the 1990s. Treatment in county hospitals is free of charge,³ which from a welfare point of view has a number of positive effects. But one negative effect which is evident in all three countries is that demand exceeds supply. Consequently, waiting lists are a prevalent phenomenon and a political problem in all three countries. In the 1990s, the central governments have tried to tackle this problem by introducing 'waiting-time guarantees', i.e. guarantees that hospital patients will be treated within a specified length of time. Third, the three countries have had similar experiences with their initial attempts to pursue this policy goal. The first attempts all became policy failures. This has made it very clear to central policy-makers that there is a real trade-off among sectoral policy goals, economic considerations and local autonomy in this area (Blom-Hansen 1998b).

In Sweden, the central government introduced a waiting-time guarantee in 1991. Per January 1992, hospital patients were guaranteed the following rights:

- Patients waiting for 12 specified kinds of surgery were guaranteed that they would not have to wait for more than three months.
- Patients were granted the right to be treated at another hospital (if necessary in another county or at a private hospital) free of charge, if their home county could not offer the treatment within the time limit.

The 12 treatments only covered about 20 percent of all hospital operations, but they were the operations with the longest waiting-time. The waiting time guarantee did not grant patients legal rights. The issue was handled within the existing corporatist system in the area. The waiting-time guarantee thus took the form of a one-year agreement between the central government and the association of county councils. The agreement did not come into effect until the individual counties decided to join it, but it still had the status of a recommendation and was therefore not legally binding for the counties. All counties joined the agreement and follow up-agreements were made every year until 1996.

In Norway, the central government introduced a waiting-time guarantee in 1990. From October 1, 1990 hospital patients had the following rights:

- All patients with serious illnesses were guaranteed that they would not have to wait for more than six months for an operation.
- Patients were granted the right to be treated at another hospital (if necessary in another county) free of charge, if their home county could not offer treatment within the time limit.

Compared to the Swedish waiting-time guarantee, the Norwegian guarantee included all patients, not only patients waiting for 12 specified treatments. But in contrast to the Swedish guarantee, which includes all patients within the 12 areas, the Norwegian guarantee only included patients with serious illnesses. Norwegian patients thus were to be

prioritized. Further, the guaranteed waiting-time in Norway was six months compared to three months in Sweden. But in contrast to Sweden, the Norwegian waiting-time guarantee was a legal decree from the central government issued to the counties, for whom it was legally binding. However, this did not automatically entail any legal rights for the patients. Only in the case of free capacity somewhere in the hospital sector did the patients have a legal right to demand treatment after the specified six months. The waiting-time guarantee was in effect until 1997.

In Denmark, the central government introduced a waiting-time guarantee in 1993. The object was to guarantee a maximum of three months waiting-time for all hospital treatments before 1996. It was to be a general guarantee, and not limited only to special types of treatment (as in Sweden) or only to patients with serious illness (as in Norway). As in Sweden, the issue was handled within the existing corporatist system in the area. The guarantee thus took the form of an agreement between the central government and the association of county councils. Both the contents differed from those of the Swedish agreement. The Danish agreement did not stipulate any patient rights, but was a calculation of the number of extra operations which the hospitals had to perform before 1996 in order to make the waiting-time guarantee effective from that year. As in Sweden, the agreement was not legally binding for the individual counties, but had the formal status of a common recommendation.

The waiting-time guarantees turned into policy failures in all three countries. None of the three countries succeeded in bringing waiting-time down to the specified maximum lengths. On the contrary, in all three countries hospital waiting-time increased during these years. In Sweden, both waiting-time and the number of patients on waiting lists increased over the period 1992–96. In Norway, these two factors also increased systematically in the period 1993–97. In Denmark the number of extra operations stipulated in the agreement were (almost) carried out, but the ultimate goal of reducing waiting-time and waiting lists was not achieved. Both factors increased over the period 1992–95. In all three countries it thus became clear that bringing down waiting-time in hospitals is difficult and that tougher instruments must be used if this policy goal is to be realized. However, this is difficult without giving lower priority to either local autonomy or macroeconomic concerns. In other words, the trade-off in relation to these policy goals was sharpened.

It is therefore interesting to follow the reactions of the three countries to these policy failures. In Sweden, efforts are being made to introduce a new waiting-time guarantee, but this time on a

grander scale. In 1997 a government commission recommended the introduction of a general hospital waiting-time guarantee, i.e. a guarantee including all hospital patients, irrespective of the fact that 'such a reform may result in some cost increases' (SOU 1997: 154, 228; author's translation). The central government and the association of county councils have followed the recommendation and agreed to introduce a general three month waiting-time guarantee by 1999. The new guarantee is also to be implemented by way of corporatist agreements but it is now backed up by a considerable increase in block grants. In Norway a new and more ambitious waiting-time guarantee was introduced in 1997 by a change of the legal decree from 1990. Now, the guaranteed waiting-time is reduced to three months for patients with serious illnesses. But the definitions of serious illnesses have been tightened, and fewer patients are now entitled to the guarantee. Furthermore, the central government now backs up the guarantee with earmarked grants on a large scale. Activity stimulating matching grants are to finance almost half of the counties' cost of running the hospitals and the central government is ready to put extra money into the sector. In Denmark the central government has in reality given up. A legally binding waiting-time guarantee covering two types of treatment was introduced in 1995 as an experiment. It lasted 11/2 years and was not prolonged. Reducing hospital waiting-time is still a widely shared national policy goal in Denmark, but no new initiatives have been launched.

In sum, when the trade-offs became clear, Denmark backed down. Given the weak position of expenditure advocates in the Danish inter-governmental policy network, this was to be expected. Sweden made further attempts to introduce a waiting-time guarantee, but by means which did not compromise local autonomy. Given the strong position of expenditure advocates and topocrats in the Swedish intergovernmental policy network in the health area, this is as expected. Norway also made further attempts to introduce a waiting-time guarantee, but did not hesitate to employ means which compromised local autonomy and macroeconomic control. Given the privileged position of expenditure advocates and the weak position of topocrats and expenditure guardians in the Norwegian intergovernmental policy network, this was also to be expected.

Child Care Policy

As in the case of health care, a comparative analysis of Scandinavian child care systems gives the analyst three sets of methodological advantages. First, child care is organized along very similar lines in all three

countries. Responsibility lies with the municipalities, the lower tier of public sector in all three countries. Child care institutions owned and operated by the municipalities constitute the cornerstone of lifting this responsibility. The central government regulates the area by law, but at the same time child care represents one of the most decentralized policy areas in the three countries. Municipalities are required by law to offer child care facilities in the day time, but the extent of this obligation is not legally specified. The question of capacity has traditionally been left to municipal decisions. In all three countries child care institutions are financed by municipal income taxes, central government grants and user charges. Second, the Scandinavian central governments have pursued almost identical policy goals in the 1990s. Parents have to pay for municipal child care. But the price is heavily subsidized and, as in the case of hospitals, this means that demand exceeds supply and that waiting lists are a prevalent phenomenon and constitute a political problem. During the 1980s and 1990s all three central governments wanted to establish 'child care guarantees', i.e. guarantees that all parents who wish so can have their children looked after in municipal child care institutions during the day time. Third, the three countries have had similar experiences with their initial attempts to pursue this policy goal. The first attempts have become policy failures. This has made it obvious to central policy-makers that there is a real trade-off among sectoral policy goals, economic considerations and local autonomy in this policy area (Blom-Hansen 1998c).

In Sweden, in 1985 the central government stated, as a declaration of principle, that municipal child care opportunities should be provided to all working or studying parents with children aged 1½–6 years. According to the declaration, which was enthusiastically endorsed by the parliament, the guarantee was to be effective in 1991. That is, the municipalities had five years to meet the obligation. From the very outset it was obvious that the child care guarantee required a considerable expansion of public expenditure. To make such an expansion realistic the central government increased the use of earmarked grants. The grants were in the form of an amount paid to local government for every 15 children enrolled in municipal day care institutions. The grants soon developed into one of the largest earmarked intergovernmental grants in Sweden.

In Norway, in 1987 the central government declared that child care opportunities should be provided to all parents who requested it. Meeting the declaration, which encompass all pre-school children, was assumed to require capacity for 90 per cent of all pre-school children in child care institutions. According to the declaration, this child care guarantee was to become effective in the year 2000. That is, municipal-

ities had more than ten years to meet the obligation. As in Sweden, it was evident from the outset that the guarantee required a considerable expansion of public expenditure. To make this expansion realistic, the central government made a change in the large-scale reform of local government finance, which was formulated during the same years. The existing earmarked grant for child care activities was not included in the transformation of specific grants into a general block grant after all. On the contrary, it was increased and, as in Sweden, it soon grew into one of the largest earmarked intergovernmental grants in the country. It had the form of an amount paid to local governments for every child enrolled in municipal day care institutions. In the course of time the definition of the child care guarantee was tightened. It is now supposed to apply only to 1–5 year olds, and capacity for providing day care for 70–75 per cent of these children is now assumed to be enough to meet the obligation. But since 1987 changing Norwegian central governments have all stuck to the goal of making the child care guarantee effective from the year 2000.

In Denmark, a child care guarantee was much discussed at the central level in 1980s. But, in contrast to Sweden and Norway, consensus was not reached at the central level until the 1990s. In 1993 the government, backed by a majority in parliament, declared that municipal child care should be available to all pre-school children above the age of one year. According to the declaration, the child care guarantee should be effective before 1996. That is, Danish municipalities had two years to meet the obligation. As in Sweden and Norway, it was obvious that the child care guarantee required a considerable expansion of public expenditure. Implementing the guarantee was discussed with the association of municipalities in the annual budget negotiations in 1994. The instrument needed to make the guarantee effective was thus the same as in the case of the Danish hospital waiting-time guarantee: negotiated agreements with local government associations. The issue was thus handled within the existing corporatist system.

The attempts to establish a child care guarantee were unsuccessful in both Sweden and Denmark. In the Norwegian case it remains uncertain whether the child care guarantee will become effective from the year 2000. In Sweden, it was evident by 1990 that the child care guarantee would not be effective by 1991. Municipal supply was unable to meet citizens' demands. In 1995, the Danish minister of social affairs had to inform the parliament that the child care guarantee would not be effective from 1996. It thus became clear in both countries that establishing child care guarantees is difficult and that tougher instruments had to be applied if this policy goal was to be realized. However, as in

the case of hospital waiting-time guarantees, it quickly became clear that this would be difficult without giving lower priority to either local autonomy or macroeconomic concerns. In other words, the trade-off in relation to these policy goals were sharpened.

Therefore, it is interesting to follow Swedish and Danish reactions to the initial frustrated attempts. In Sweden, the central government changed strategy when it became evident that the guarantee would not be effective by 1991. The earmarked grants were abolished as part of a general reform of local government finance in 1993. Instead, the central government introduced strict legal regulation. In 1993 the central government proposed that municipalities were to be obliged by law to implement the child care guarantee. The parliament endorsed the proposal and the law went into effect on January 1, 1995. In Denmark, nothing happened. All parties stressed that the goal of a child care guarantee was not abandoned, but no new initiatives were taken. In 1997 the left-wing *Socialist People's Party* tabled a proposal in the Danish parliament that earmarked grants to the municipalities' child care activities be introduced to stimulate the realization of the child care guarantee. The proposal was turned down by the centre and bourgeois parties who argued that the effects on public expenditure and local self-government were unacceptable.

In sum, as in the case of hospital waiting-time guarantees, Denmark backed down when the trade-offs became clear. Given the weak position of expenditure advocates and strong position of expenditure guardians and topocrats in the Danish intergovernmental policy network, this was as expected. In contrast, Sweden strengthened the attempts to introduce a child care guarantee, but in contrast to the hospital sector Sweden did not hesitate to employ means which compromised local autonomy. Given the weaker position of Swedish topocrats in the intergovernmental policy network in the child care area than in the health area, this development is expected. What happens in Norway if the child care guarantee is not established by the year 2000, remains to be seen.

Conclusion

This paper has argued that in order to understand central-local policy-making we must focus on the interaction of three types of actors: Expenditure advocates, expenditure guardians and topocrats. The ability of these actors to pursue their self-interests is argued to be constrained and facilitated by the structure of intergovernmental policy networks. This proposition is substantiated in an empirical analysis of economic policy, health policy and child care policy in Sweden, Norway,

and Denmark. The analysis demonstrates a relatively close correspondence between the position of actors in the intergovernmental policy networks and the contents of central-local policy. This correspondence is found across nations as well as across policy areas within the same country.

In Denmark, where topocrats and expenditure guardians constitute a tightly knit cross-sectoral intergovernmental policy network, the pursuit of sectoral policy goals is difficult. In contrast, central-local economic policy is effective, but relies on means which respect local autonomy. Norway represents the exact opposite case. Here expenditure advocates are strong in the intergovernmental policy networks and the other two types of actors are weak. Sectoral policy goals are pursued intensively, even by means which do not respect local autonomy. But macroeconomic control is ineffective. In Sweden, where the character of the intergovernmental policy networks varies across policy areas, local autonomy is only respected in the one of the three areas analyzed in which topocrats are relatively strong, i.e. health policy. In the field of child care, where expenditure advocates are dominant, sectoral policy goals are pursued intensively and even by means which do not respect local autonomy.

The more general lessons from the exercise undertaken in this paper can be summarized in a few points. First, the analysis demonstrates the value of integrating cross-sectoral and cross-national comparisons and shows that it is possible to make these two types of comparisons from the same approach. Second, the analysis demonstrates that much insight can be gained by analyzing central-local government relations by categorizing the bewildering number of actors into a few generic types and by operating with relatively simple, but plausible, behavioural assumptions. Third, the analysis underscores the point already made by Page and Goldsmith (1987b), and cited in the introduction, namely that central-local government relations vary considerably from sector to sector within the same nation and that speaking of central-local relations in general (i.e. cross-sectoral) national terms may not make much sense. In the present analysis this is most clearly seen in the case of Sweden, where relations in the child care sector are considerably more centralized than in the health care sector.

The analysis conducted here has involved 'comparable' (Lijphart 1971) countries and policy areas. It is therefore plausible that the analysis has some validity beyond the cases studied. However, to be of convincing value the approach advocated in this paper must demonstrate its usefulness in analyses involving a broad selection of cases – unitary as well as federal nations, centralized as well as decentralized policy areas. This, however, is a task for future research.

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NOTES

1. The five institutional rules in the table are inspired by Ostrom's seven rules: Position, boundary, scope, authority, aggregation, information, and payoff rules (Ostrom 1986).
2. See Blom-Hansen (1998a) for a more detailed treatment of these examples.
3. In Sweden, patients pay a symbolic fee while hospitalized which covers food expenses etc.

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JENS BLOM-HANSEN
Department of Political Science
Aarhus University
Universitetsparken
DK-8000 Aarhus
Denmark
Tel. +45 89 42 13 10
Fax. +45 86 13 98 39
E-mail: jbh@ps.au.dk