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The Challenges of Including Political Economy Research in Regional Economic History

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CONFERENCE PAPER

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**The Challenge of Including Political Economy Research in Regional Economic History.
Some Questions about the County of *Västernorrland*, Sweden.**

Abstract:

Issues such as regional interest group mobilization and the projection of regional claims on the national political arenas often occur during critical junctures of regional economic development. In many cases they have such impact on the outcome of a development process that they deserve economic history research. My paper will focus on the challenges of including such issues in regional economic history writing. Departing from research on the historical political economy of the Swedish *Norrland* region, I will discuss a number of research design challenges that the regional historian will need to manage and reflect upon.

One such challenge concerns the use of theory. I will discuss how interest group theories may be used (and abused) to capture decisive relations and linkages between regional interest group demands on one hand and government decision-making on the other hand. I will also point at the importance of a critical attitude towards those myths, discourses and interpretations that may dominate the regional debate on a research field. In this respect, concepts and language may influence historical explanation to such an extent that they distort the understanding of the past. The historian will therefore need to confront those myths through a scientifically adequate research process.

1. Introduction

In Sweden, a political process aimed at creating larger administrative regions began in the early 2000s.¹ Through this process, political power would be transferred from the government to newly-formed administrative regions. These regions were to be formed through unions of several counties. They would be administrated by a fusion of the county councils (*landsting*) of these counties. For instance, in northern Sweden a plan to integrate the four northernmost counties into one administrative region, which would include the counties of *Norrbottnen*, *Västerbotten*, *Västernorrland* and *Jämtland*, was prepared according to these lines.

The outcome of this process was however very different from the one originally intended. Instead, the formation of two new administrative regions, which divided northern Sweden in the middle of the County of *Västernorrland*, was proposed. The first region, Northern Sweden (*Norrstyrelsen*), comprised of the counties of *Norrbottnen* and *Västerbotten*, together with the northern part of the county of *Västernorrland*. The second region, Middle Sweden (*Mittstyrelsen*), comprised of the southern part of the County of *Västernorrland*, the northern part of the County of *Gävleborg* and the County of *Jämtland*. The artificial construction of these regions did not appeal to the government. Consequently, it refused the proposals regarding the new administrative regions.

It has been debated what factors caused this outcome. Here the question was asked if not the differences between the cities and counties in northern Sweden were so substantial that they were difficult to reconcile in one administrative region.² Historical trajectories and the subsequent formation of local identities seem to have affected the actions in contemporary politics. This situation has caused a need to ask the relevant questions to determine in what way history did matter for the decision-makers in northern Sweden and how regional economic history can explore such issues in the best way.

2. Public sector placement as a source of political conflict in northern Sweden

In a study of the decision-making process regarding the formation of the new administrative region, political scientist Katarina Eriksson noticed that the internal political situation in the County Council of *Västernorrland* was one of the factors that affected the negotiations. It

¹ The first two paragraphs of this paper, where the regionalization of northern Sweden in recent years is summarized, are based on Eriksson (2009).

² *Norrbottens-Kuriren* 30 December 2009, "Små kommuner blir avvecklingsprojekt".

seemed as if the representatives from the northern part of the county were eager to break up from the southern part and used the formation of the new administrative region as a window of opportunity to this end.³

It is necessary to explore the modern economic history of *Västernorrland* in order to at least partly understand how these differences have arisen. The economy of *Västernorrland* is dominated by export-oriented forestry industries. Due to large investments in production technology aimed at increased productivity, the demand for labour in the forestry industry has gradually declined since 1960. The demand for labour market in the forestry industries was also affected by deindustrialization in the *Ådalen* area, where almost all forestry industries were closed down in 1960s and 1970s. Consequently, *Västernorrland* has suffered from a continuous out-migration since 1950.⁴

The decline of the industrial sector has been compensated for by the rise of the service sector. The public sector and public transfers became particularly important for the population in *Västernorrland*.⁵ The expansion of the public sector therefore led to increased employment within fields such as medical and elderly care and education. A broadening of the public administration as well as the placement of governmental authorities in the county also affected *Västernorrland* positively. Consequently, public sector placement became a very sensitive political issue in Sweden. In northern Sweden, it has often been a source of bitter regional conflict as the priorities made has had distinct effects on growth and migration.

The first part of this paper consists of a limited historical study of the political conflicts over public sector placement in the County of *Västernorrland*. It is done to practically demonstrate how regional economic history may increase the understanding of why such an important contemporary political process as the regionalization of northern Sweden has stagnated. In the second part of the paper, I will discuss how regional economic history best may contribute to such an analysis in regional science. The aim here is not simply to show that economic history contributes with some magic missing part to solve a regional mystery. It is rather to outline where the challenges ahead seem to lie in terms of empirical methods and theoretical perspectives.

³ Eriksson (2009), p. 17f.

⁴ Sörensson & Westin (2005), p. 13.

⁵ Bengtsson & Johansson (1993), p. 35.

3. The political economy of public grants

As regional policy was introduced in Sweden after 1964, rank-size hierarchies were introduced by planners in every county in order to determine which cities should receive regional aid. These rank-size hierarchies were based on Christaller's theory of central places. This practice was however often connected with some ambiguity.⁶ Planners often allocated the largest city of the county the highest rank without any previous spatial econometrics modeling. The rank-size hierarchy was then decisive for allocation of regional aid and public sector placement. The cities were allocated resources depending on their place in the rank size distribution.⁷

As regional planning was introduced in the middle of the 1960s, Sundsvall as the largest city was given the highest rank among the cities in the County of *Västernorrland*. This decision had great consequences regarding the placement of the public sector in the County of *Västernorrland*. For instance, several government agencies were moved from Stockholm and placed in Sundsvall.⁸

Rank-size hierarchies were also introduced to determine the organizational structure of the medical services in each Swedish county. Here, specialist care was primarily concentrated to the so called county hospitals (*länssjukhusen*). Even if they still could offer specialities such as surgery and medicine, the remaining local hospitals (*länsdelssjukhusen*) would be downgraded in terms of status and financial resources. In *Västernorrland*, the county hospital was located to Sundsvall. Consequently, the rather advanced local hospitals in Härnösand, Sollefteå and Örnköldsvik were downgraded to local hospitals and given a lower priority in the County Council budgets than the hospital in Sundsvall.

It is estimated that 700 jobs in the government administration and 3 500 jobs in health care and medical services were created in Sundsvall during the post-war period.⁹ Together with the general trends in the economy, this contributed to an already existing lop-sidedness in the urban system of *Västernorrland*. As demonstrated in Figure 1, the population of the major cities in *Västernorrland* except for Sundsvall has been declining since 1968. The gap between

⁶ Malmberg & Korpi (2000).

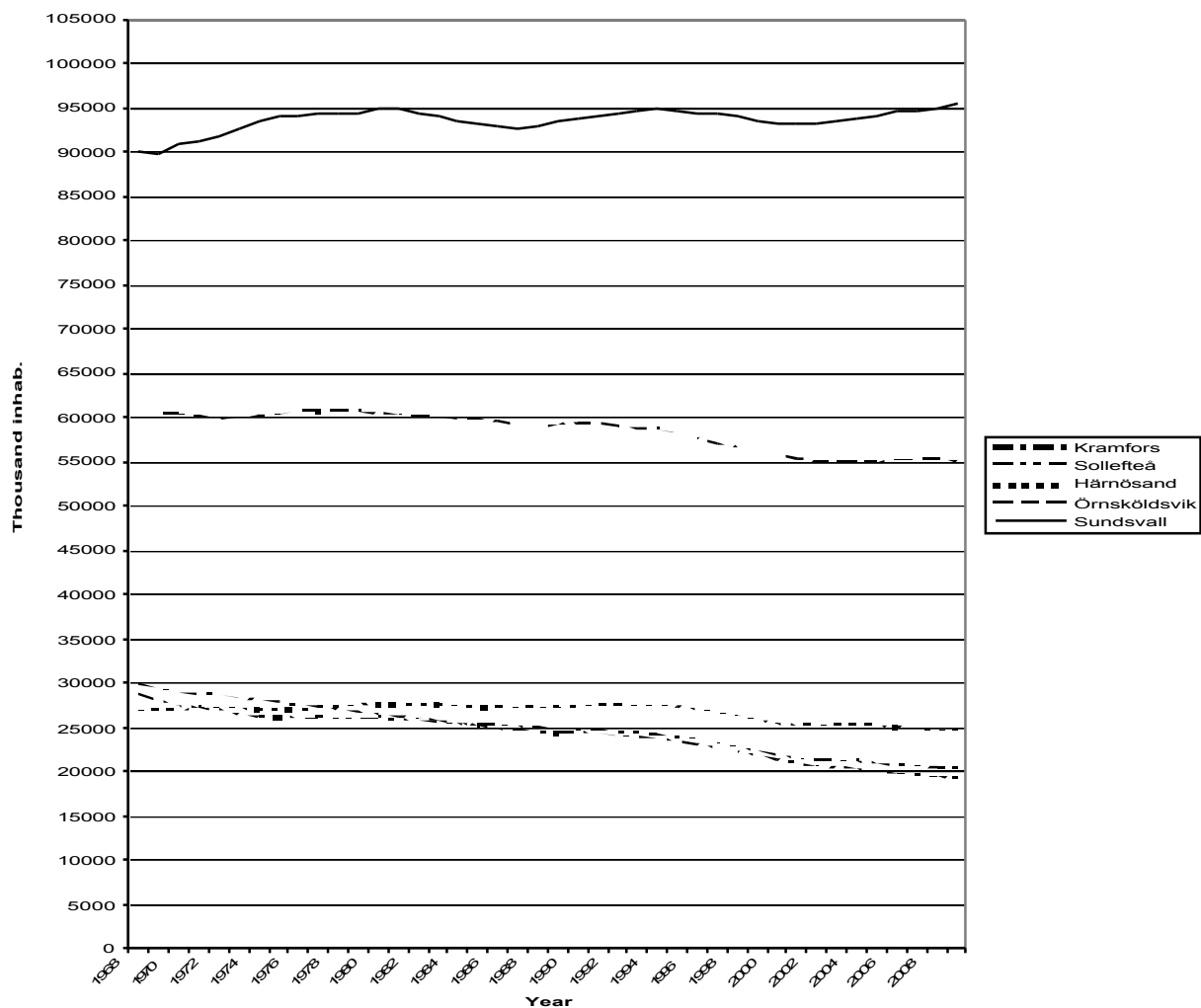
⁷ Government Bill 185/1964.

⁸ Bäcklund (1997), p. 97.

⁹ Bäcklund (1997), p. 98.

Sundsvall and the other cities in the rank size distribution has most probably increased due to the decisions made over public sector placement.

Figure 1 Population change in the five largest cities in the County of Västernorrland, 1968-2009



Source: Statistics Sweden. Population statistics for the period 1968-2009.

4. Local identities, trajectories and political action in *Västernorrland*

The position of Sundsvall in the county politics of *Västernorrland* has not been uncontroversial. In northern Sweden, local identity and a "sense of place" often shape political action.¹⁰ Local interests tend to protect their own interests and not take any broader context into ac-

¹⁰ Westin (2009), p. 92.

count as they formulate political strategies.¹¹ The political geography of the constituencies that elect politicians to the County Council in *Västernorrland* raise the interesting question to what extent this type of strategies has effected their attitude towards the regionalization of northern Sweden?

The constituencies of the County Council represent functional regions with distinct local identities - *Nolaskog* and *Ådalen* in the north of the county and *Sundsvall* and *Ånge* in the southern part of the county. Symptomatically, if the new administrative regions become reality, *Västernorrland* would be divided along a line somewhere between the northern and southern constituencies in the municipality of Timrå. The two northern constituencies would belong to the region of northern Sweden and the two southern constituencies would belong to the region of middle Sweden.¹²

Three of the local hospitals in *Västernorrland* that have been subject to fiscal restraints are located in the constituencies of *Nolaskog* (Örnsköldsvik) and *Ådalen* (Härnösand and Sollefteå). This has obviously caused resentment among the local politicians in those areas as the local identities have been projected. As for *Ådalen*, this area has been developing a separate identity towards Sundsvall in several ways. Firstly, it may be mentioned that city of Härnösand traditionally has been the centre for administration and education in *Västernorrland* and that it has been trying to guard this situation in the county politics as Sundsvall gradually has overtaken its position as regional centre. The conflicts over public resources have not only been related to health services, but also to higher education as the State college in *Västernorrland* has campuses located to both cities.¹³

Secondly, the hospital in Sollefteå, which was created as part of the military garrison, has suffered from a lack of resources not only due to political decisions but also because of the closure of the military bases in the city. It has become more difficult to justify its existence in the county health care system.¹⁴ It should also be noted that contemporary economic and social history of *Ådalen* has been rather turbulent. During the first part of the decade, an industrial district with saw mills and pulp plants grew up along the shore of the so called *Ångerman*

¹¹ *Norrbottens-Kuriren* 30 December 2009, "Små kommuner blir avvecklingsprojekt".

¹² Lidström (2009), p. 55

¹³ Lane (1983), p. 81.

¹⁴ In Sollefteå, national servicemen for one infantry brigade (5 000 troops) and one combat logistics regiment was trained. This means that at one point of the training cycle, several thousand conscripts would train and live there.

Bay (*Ångermanviken*). This industrial district had rather special characteristics regarding production technology and organization and did actually have much in common with the vertically organized forestry firms in Örnsköldsvik and Sundsvall.¹⁵

Consequently, *Ådalen* experienced a rapid deindustrialization in the period 1960-1980, which led to a widespread destitution in Swedish terms (it might in some ways be related to what we associate with the deindustrializing regions of Great Britain). Furthermore, the political mobilization in *Ådalen* has traditionally been radical. In this respect, it has often been associated with the riots in 1931, where the Swedish military fired at and killed a group of demonstrators. In Swedish politics, these events seem to have had a significant effect on the political positions and strategies of *Ådalen*.¹⁶

There is also a distinct local identity which distinguishes *Nolaskog* from the southern part of *Västernorrland*. The city of Örnsköldsvik has for more than two decades oriented itself towards the northern regional centre of Umeå. In the early years of the 1990s, interest group mobilization for the building of a trunk line, the Bothnia line, between Örnsköldsvik and Umeå began.¹⁷ Traffic on this railway will begin in the autumn of 2010. Based on this perspective, the politicians of Örnsköldsvik seem to have little interest in participating in a project which they feel that no one else than Sundsvall actually gains from.

5. The role of economic history in regional science

The scattered and sketchy picture presented here suggests that there is a need for a deeper analysis of the historical divisions in the County of *Västernorrland* and how they affected the capacity to agree on the new administrative region. What issues are then important for the regional historian to consider when undertaking this type of research?

Firstly, I want to point to the importance of a critical attitude towards the empirical material. Here, the usual methods of source criticism must be employed. Even more important, however, is to have a critical attitude towards those myths, discourses and interpretations that the historian may confront. In northern Sweden, concepts and language are very often part of the regional development discourse. This may influence and even distort the contemporary under-

¹⁵ Sable & Zeitlin (1985).

¹⁶ Johansson (2001), p. 447.

¹⁷ Andersson (2004).

standing of the past. As far as possible, the historian must try to expose the existence of such practices and try to work with strict historical methods to produce empirical knowledge, even if this implies a challenging of established power structures. Here a compromise of course needs to be made, as the historian never can be free from bias. History writing always involves the responsibility of constructing a narrative strategy, where perspectives are include and omitted.¹⁸

Secondly, I want to point at the importance of including analyses of contexts, structures and constraints in regional economic history research. Issues such as regional interest group mobilization and the projection of regional claims on the national political arenas often occur during critical junctures of regional economic development. In many cases they have such impact on the outcome of a development process that they deserve economic history research. Here, a thorough survey of the historical context will certainly benefit the historian. For instance, studies on regional industrialization often give a good indication of the situation in a region.¹⁹ Likewise, studies on GRP growth and regional income distribution also contribute to the understanding of regional dynamics.²⁰ On the micro level, business history studies of firms are often good complements to regional data.²¹

In studies of political events, issues such as the political and institutional context on the macro level are often vital to consider. The historian often needs determine to what extent regional agents such as interest groups are constrained by structures. One theoretical perspective which focuses on relationship between agents and structures is the New Institutional Economics (NIE). In general, the NIE points to the fact that institutions are a structural feature of the society. The structures that constrain actors may be formal or informal, providing society with some stability over time.²² In this respect, the NIE perspective has incorporated the concept of 'bounded rationality' which enables the historian to analyze structural factors at the same time as the agency among the historical subjects is accounted for.²³ Perspectives which assume a similar relationship between structure and agency are also found within the embeddedness

¹⁸ White (1973).

¹⁹ Pollard (1973); Pollard (1981); van Zanden (2001); Fenoltea (2003); Olsson (2007).

²⁰ Williamson (1965); Crafts (2004, a); Crafts (2004, b); Olsson (2010).

²¹ Toms & Wilson (2003).

²² Peters (1999); North & Thomas (1973); North (1990).

²³ Simon (1958). On bounded rationality and history writing, see Liebowitz & Margolis (1995).

approach and within structuration theory.²⁴ One particular advantage with this framework is that the historian is able to evade the risk of historical determinism; i.e. presenting agents as if they were conscious of what consequences their actions have in a longer perspective.²⁵

When studying politics and administration, theories which focus on the relationship between autonomy and control at different levels of the political system are also fruitful to work with. One starting point for such analyses might be principal-agent models. The general problem identified in these models is the governance structures which are designed to ensure that the agent fulfils the principal's wishes. Institutions are here seen as crucial for efficient control and coordination of subordinate government bodies as they reduce transaction costs within the bureaucracy, while they also facilitate collective action and political organization.²⁶ By applying a principal-agent model it may be possible to identify change in hierarchical structures over time, where responsibilities and tasks may change between the region and the government or within a region.

To conclude, it is necessary for the regional historian to establish a framework that takes not only the region, but also structural factors as the national government and exogenous market forces into account. As an example of how this may be achieved, I would like to mention the excellent study on southern paternalism and its impact on formation of welfare in the United States in the period 1890-1965 by American economic historians Lee J. Alston and Joseph P. Ferrie. Alston & Ferrie not only considered the formation of self-images, identities and regional mobilization in U.S. south during this process. They also examined to what extent the elite in the south had access to the decision-making arenas within Congress.²⁷ This combined analysis of both exogenous and endogenous factors has provided – and still provides - a very fruitful source of inspiration for the regional historian.

²⁴ For an account of the embeddedness concept, see Granovetter (1985). For an example of structuration theory, see Giddens (1983).

²⁵ Among others, this is discussed by Pierson (2000) and North (1994).

²⁶ Alchian & Demsetz (1972); Williamson (1975); Moe (1984); Shepsle (1989).

²⁷ Alston & Ferrie (1999).

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