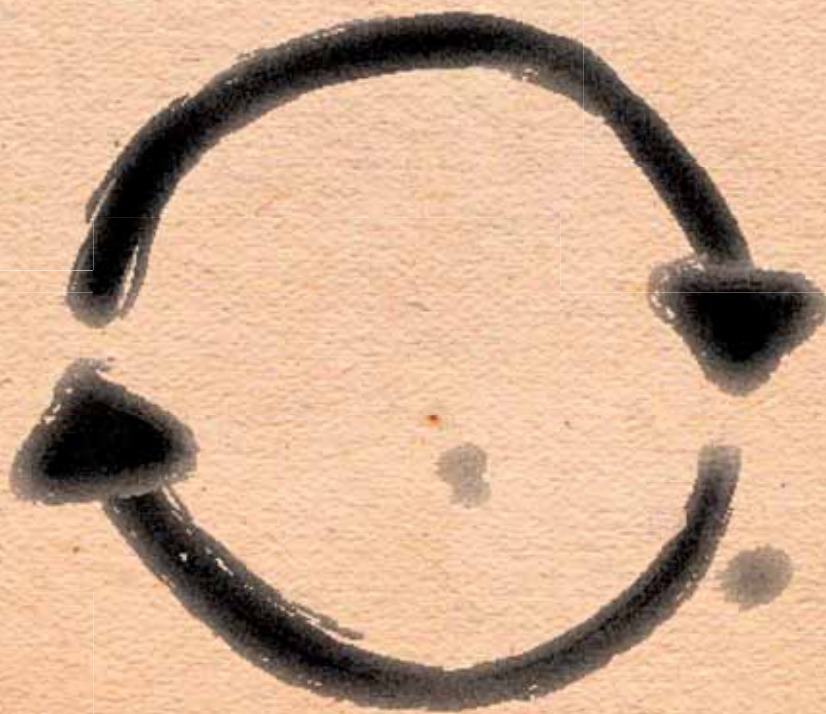




Kenneth Nordberg

Reinventing the Third Way

Towards New Forms of Economic and Democratic Conduct





Kenneth Nordberg

- Born in 1980 in Petalax, Finland
- Master of Political Science 2007 (Åbo Akademi University)
- Research Assistant at Social and Caring Sciences 2007 (Åbo Akademi University)
- Researcher at research project Reforms of the regional and local administration, linguistic consequences, Swedish service (Språkon) 2008-2010 (Åbo Akademi University)
- Researcher at the Botnia-Atlantica Institute 2011-2013 (Åbo Akademi University, Vaasa University)
- PhD student in Political Science 2008-2015 (Åbo Akademi University)

REINVENTING THE THIRD WAY



Reinventing the Third Way

**Towards New Forms of Economic and Democratic
Conduct**

Kenneth Nordberg

**Political Science
Åbo Akademi University
Vasa, Finland, 2015**

ISBN 978-952-12-3171-1
Oy Arkmedia Ab
Vasa 2015

Acknowledgements

What is the distinguishing feature of man? Is it our well-developed language? Is it the strong social ties, the family? Or is it the ability to plan and simulate situations for the future? While these are all pertinent suggestions, it seems that the more we learn the more of above features are found also in other animal species than our own. There are species with a highly developed language, species maintaining strong social ties and species with the ability to cooperate and prepare detailed plans for the future. Instead, there is another peculiarity of man that is far from as extensive in other species, namely our sophisticated culture: the innate curiosity and a tendency to imitate, together with a prolonged childhood and relatively long lifespan that offer every human being plenty of time to learn from the older generation, add their contribution to this body of knowledge, and pass it on to the next generation.

As a PhD student, you have the benefit to engage full-time in this very characteristic activity of man, to explore existing knowledge, to develop new ideas on the basis of this knowledge, and to present these ideas for the benefit of others. To have had this opportunity, I am eternally grateful.

For this thesis, there are especially three individuals I owe greatly to. The first is Erland Eklund, who recruited me to the academic profession, and who acted as more of a mentor than a supervisor, if the difference is comprehensible. Not the least, Erland's mentorship was manifested through his diverse knowledge and his tremendous and infectious enthusiasm for science. The second important person is Åge Mariussen, who introduced me to the very interesting and timely research field of innovation systems, a subject which came to reshape the thesis in a fundamental manner. It has been an immense privilege to have the opportunity to cooperate with Åge and benefit from his deep knowledge of this subject. The third person, and the one who also stepped in last in the process, is Kjell Andersson, who replaced Erland as professor of rural research at Åbo Akademi in 2011. At this stage, the basis of every article was already present. Kjell's good sense for "hooks", i.e. the selling argument, enabled me to tie the articles together and give them their

final appearance. It was also a pleasure to write the introductory chapters with Kjell's insightful and encouraging comments during the process.

In addition to these three main characters there are of course an extensive list of people I owe to. In particular, Seija Virkkala at the University of Vaasa, partners at the Nordland University and Umeå University, as well as the entire research environments at the Department of political science and the Unit of demography and rural science at Åbo Akademi in Vasa. I would also like to thank the preliminary examiners, Professor Jan-Erik Johanson at Tampere University and Professor Stefan Sjöblom at Helsinki University, for insightful comments. The language examiner Paul Wilkinson also deserves a mention for his efforts.

The writing of the thesis was predominantly carried out in the context of the research projects *Språkliga Konsekvenser av förvaltningsreformer* (Språkon), financed by Svenska Kulturfonden, and the Interreg-funded *Lärande om Utveckling i Botnia-Atlantica* (LUBAT). Additionally, I have been granted scholarships from Svensk-Österbottniska Samfundet, Stiftelsens för Åbo Akademi forskningsinstitut, Rektor vid Åbo Akademi, Nordenskiöldsamfundet and Svenska Kulturfonden. Thank you to these sponsors!

Last, but not least, my family, my wife Hanna and my wonderful daughter Edith. You are the world to me.

Vasa, 5 March 2015

Kenneth Nordberg

Contents

1. Introduction: Reinventing the Third Way.....	1
2. Towards New Forms of Economic and Democratic Conduct.....	6
Democracy.....	7
From classical to liberal democracy.....	7
Representative democracy.....	10
Post-liberal democratic theories.....	15
New Governance.....	21
Democracy and New Governance – Metagovernance bridging liberal democracy and New Governance.....	24
Summary: beyond New Governance.....	28
Economy.....	31
Kondriatev waves.....	31
Fordism and post-fordism.....	35
From industry economy to knowledge economy.....	39
The importance of knowledge.....	41
Learning regions.....	47
Summary.....	51
Conclusions: the megatrends of democracy and economy.....	54
Reinventing the Third Way.....	57
3. The Case of Ostrobothnia.....	60
The evolution of the Finnish regional administration system.....	62
The evolution of the Finnish economic system.....	64
The region of Ostrobothnia.....	73
Four articles.....	77
Article 1.....	79
Article 2.....	81
Article 3.....	82
Article 4.....	85
Conclusions: The Case of Ostrobothnia.....	87
4. Conclusions: Politics in the Post-Fordistic Economy.....	89
Sammanfattning.....	95

References.....	105
<i>Article 1: Attempts at Regional Mobilisation in a Unitary State.....</i>	<i>115</i>
<i>Article 2: On the Democracy and Relevance of Governance Networks.....</i>	<i>165</i>
<i>Article 3: Is there a Need for Transnational Learning?</i>	<i>201</i>
<i>Article 4: Enabling Regional Growth in Peripheral Non-University Regions .</i>	<i>237</i>

1. Introduction: Reinventing the Third Way

Politics is much too important to be left in the hands of our politicians.

Özz Nujen, Swedish comedian.

The first difficulty an analyst of society confronts is to define which system or part of society is relevant for the specific question posed. This is a difficult task, since the different systems are often intertwined or linked to each other, and thus, changes in one system may often be derived from changes in another, or many other, systems. During the last two to three decades, the role of politics in society has changed drastically, from a position where politics was implemented through nation-building and different governmental techniques, such as the development of welfare services, to a situation whereby the state attempts to achieve growth through market control rather than by governing the national territory. In this way, the influence of the market and economics upon society has expanded, which affects the possibilities of politics. Consequently, an understanding of the economic system is now required to be able to study the political system of today. Similarly, when studying the political system and the act of governing, this system is obviously dependent also on the social system, i.e. the way people act, react and behave. In the academic literature of governance, which has grown abundantly during the last two decades, the act of governing has been described as being gradually relocated out of the hands of the government into more or less flexible and ad hoc networks of stakeholders. The cause behind this shift is found in changes in the economic system, in the form of open innovation platforms and free trade, as well as in the social system, in the form of an increasing individualisation and reflexivity of people. Consequently, when examining the system of governance, the benefit of including both the economic and the social systems, and not constricting the study to the political system alone, becomes apparent.

In political science, the incongruity of democracy and efficiency is a classic notion: i.e. when increasing inclusiveness, the number of participants and in turn the level of democracy is raised, while the level of efficiency has been said to drop proportionally. However, by combining the theories found in both economic and democratic literature, this thesis suggests that this does not necessarily need to be the case. In both strands of academic literature, increased inclusiveness and participation are viewed as being beneficial and may consequently be regarded as effective, both economically and democratically. This blend of economic and democratic theory forms the foundation for the main task of this thesis, which is to reinvent the Third Way.

The search for a third way between or beyond socialism and capitalism may be traced back to the end of the 19th century and the so-called *Bernstein debate*, following the death of Friedrich Engels, where Karl Kautsky claimed that capitalistic exploitation eventually leads to collapse and the establishment of a socialist society, while Eduard Bernstein asserted that political steering tools, such as the introduction of labour legislation and universal suffrage, undermine class struggles, thus implying that political democracy and capitalistic exploitation are contradictory (Coletti 1968). A few decades later, in the 1940's, Karl Polanyi again highlighted the interconnectedness between the political, economic and social systems in his acclaimed work *The Great Transformation* (Polanyi 2001). The shift Polanyi identified is the rise of the market economy in England in the mid-19th century, which Polanyi suggested was the first time in human history that the economic system had been completely separated from the other systems of society. Polanyi's general argument is that the economy needs to be embedded in both society and in nature, a notion in direct opposition to economic liberalism and its idea of self-regulating markets. In Polanyi's view, the commodification of human activities (labour), nature (land) and purchasing power (money) will eventually lead to measures of *social protection*, understood as politically enforced regulations restricting the market. Writing in relation to the economic depression in the 1930's and the outbreak of World War II, Polanyi identify both fascism and socialism as different models of social protection against the liberal economy, and while the first completely removed individual freedom, Polanyi suggested socialism,

interpreted as the subordination of the self-regulating market to a democratic society, as a middle way (Castles et al. 2011: 6-10).

In the 1990s, the concept of the Third Way referred to the model of action adopted by social democratic parties in Western countries. One of the forefront theorists of the Third Way was Anthony Giddens (1994, 1998), who regarded contemporary socialism as not corresponding to the Marxian claim for the need of the abolition of capitalism, since, by the provision of social welfare, social democratic governments had already to great length succeeded in removing the unfair elements capitalism had given rise to. The Third Way represented the renewal of social democracy in the 1990s, a response to a changed globalised world, and concurrently, a response to both the interventionism of the Keynesian state as well as the idea of the free and unregulated market of neoliberalism. Thus, the 1990s version of the Third Way could be regarded as a synthesis of capitalism and socialism, of the state and the market, advocating egalitarianism, not through traditional redistribution of income, but by affecting the “initial distribution of skills, capacities and productive endowments” (Lewis & Surender 2004:4). While this was often comprehended as a compromise between capitalism and socialism, Giddens emphasised that the Third way was not positioned between left and right but was *beyond* left and right, and that the Third Way rejected top-down socialism as it rejected neoliberalism. According to Lewis & Surender (2004:5), all Western countries and their social democratic parties have adapted their welfare policy in accordance to the Third Way, with a general restructuring of welfare as a result. In practice, this has implied cuts in welfare benefits in order to achieve “targeted means-tested benefits” and “in-work benefits”. The Third Way view civil society, the government and the market as interdependent and equal partners in the provision of welfare, and the duty of the state is accordingly to create a balance between these three actors. The individual should be pushed to self-help and an active citizenship, while the state and the market should jointly contribute to economic and social cohesion.

Consequent to the loss in the election in 1992, the Labour Party in the United Kingdom sought a new strategy to win back its constituency in the upcoming election in 1997, and here, the Third Way seemed to make a good fit. Tony Blair

became one of the front figures of this new left wing concept, advocating 'social justice' as the new middle way, hoping to attract voters from both sides of the political spectrum. In practice, the Third Way has implied a step to the right for social democratic parties and has consequently been criticised for causing the loss of the leftist alternative and ultimately for depoliticising politics (see e.g. Mouffe 2005). This depoliticising of politics is perhaps best illustrated by quoting Margaret Thatcher, who, when asked in 2002 what her greatest achievement was, replied "Tony Blair and New Labour, we forced our opponents to change their minds". Thus, it can be argued that the Third Way failed at going "beyond left and right" and instead, in practice, reduced the options for voters, and thereby contributed to the political apathy visible in Western societies today. This is the first short-coming of the 1990s version of the Third Way. The second short-coming is that the Third Way was unsuccessful in responding to the demands of individualised, reflexive citizens of the postmodern age, not being satisfied with merely voting in a mass-party fashion. These neglects of the Third Way are what this thesis wants to address. As such, the thesis identifies shifts in economic and democratic conduct, where a general localisation is visible both in academic literature and in practice. Accordingly, the attempt to reinvent the Third Way should not be comprehended as a search for a new full-fledged model of governance, but as the identification of trends, the illumination of facts, and the suggestion that a new middle way may be found in the *decentralisation* of governance. The main issue this thesis wants to address is what the role of politics has been, what it is, and what it might be in a post-neoliberal future.

The world is constantly evolving. The conditions enabling and restricting policy implementation are not the same as a century, 50 years or even 20 years ago. By engaging in a thorough theoretical discussion, concerning the evolution of the political and the economic systems (especially during the last century), this thesis intends to illustrate the necessity of synchronisation between these two systems. These changes are not the result of conscious decisions, i.e. a master plan conducted by the leaders of the world; instead, they are chance processes caused by a plurality of events. The next chapter of this thesis is devoted to this theoretical discussion, highlighting nine megatrends of the economic and political systems during the last century. The third chapter describes the context of the case studies,

namely the region of Ostrobothnia in Finland and the evolution of its business and administrative systems. Subsequently, four articles follow, offering empirical evidence for the theoretical assumptions, and finally, a concluding chapter ends the introductory chapters, referring back to the concept of the reinvented Third Way presented here.

2. Towards New Forms of Economic and Democratic Conduct

Over the last three decades, two major waves of reform have established a system of governance popularly labelled the *New Governance*. This concept refers to one of the megatrends in industrial societies; the shift from government to governance. Generally, this shift entails a relaxation of the authority of the bureaucratic and hierarchic nation-state for the benefit of “the creation of a structure or an order which cannot be externally imposed but is the result of the interaction of a multiplicity of governing and each other influencing actors” (Stoker 1998:17). The first wave emerged in the 1980’s, when neoliberalism and rational economic theories were introduced in public service through the concept of New Public Management (NPM). The second wave of reform was largely a response to the first wave, whereby system and network theorists tried to make sense of the network society that had emerged. Both politicians and the government saw a tool in these theories for managing and steering the plurality of institutions and networks that were involved in public management following NPM (see e.g. Bevir 2010: 12). In other words, the first wave aimed at achieving efficiency, while the second wave sought improved steering. Consequently, the shift from government to governance has brought about a room for manoeuvre at the local level, i.e. bottom-up processes, that was not present earlier, at the same time as new kinds of steering processes restrict actions in ways that are difficult to interpret or predict in advance. In what ways is this new concept of governance influencing, for instance, democracy, legitimacy and efficiency? The assumption for this chapter is that New Governance and governance networks have been constructed as a consequence of changes in both the economic and political systems, and that New Governance accordingly has become the centrepiece of economic and democratic theory development. As mentioned, benefits for both democracy and economy of increased bottom-up processes are found in the academic literature, and when combined, suggest that an increased room for manoeuvre for these kinds of processes may offer both economic and democratic gains. Let us now take a look at these theories.

2.1 Democracy

The term democracy originates from the 5th century BCE Greek word *demokratia*, which translates to “rule of the people” (demos=people, kratos=rule, power). The antonym is consequently *aristokratia*, or “rule of an elite”. In the everyday use of the term democracy, we usually refer to the concept of *liberal democracy*, with generally accepted virtues such as human and civil rights, political freedoms, representative government and freedom of speech, rather than the classical perception of the rule of the people. Liberal democracy traces back to the Enlightenment in the 18th century and was first put into practice by the Founding Fathers at the Constitutional Convention held in Philadelphia in 1787.

2.1.1 From classical to liberal democracy

One fundamental difference between classical and liberal democracy is that while classical democracy is aimed at defining “the common good”, liberal democracy pursues equal individual rights to freedom and self-development. Additionally, liberal democracy implies a sharp division between a legally protected private sphere and a public sphere for collective decision making, backed up by a coercive state (Sørensen 2009:52-53). As such, liberal democracy entails a new interpretation of democracy based on three factors (according to Sørensen 2009:52):

- 1) the nation-state is the natural demos
- 2) representative democracy is the only way to ensure political equality
- 3) the purpose of democracy is to serve the individual rather than the community.

The general concept is that the society consists of free individuals, which makes democracy a trade-off between collective decision-making and individual liberty. This develops into a tension that is characteristic for liberal democracy, namely whether strong citizen control or the ability of the government to act efficiently for the benefit of the people should be given priority (Sørensen 2012:511). Whilst these factors are general for liberal democracy, there are different interpretations of the liberal idea as well. The first to emerge was *protective democracy*, which in contrast to the classical view did not see democracy as a device to enable citizens to

participate in political life, but rather as a tool by which citizens could protect themselves from encroachment by the government (Heywood 2013:95). Later, developmental notions of democracy entered, which regarded the citizen as free only when they are able to participate directly and continuously in shaping their community (Heywood 2013:96). Participation and deliberation are seen as vital for developing the people into becoming democratic citizens who see themselves as part of a shared community rather than self-interested individuals (Sørensen 2012:511). Thus, *developmental democracy* advocates the modern idea of participatory democracy, but, similarly to protective democracy, sees the nation-state as the main demos, a fact that differentiates it from the post-liberal democratic theories which we will return to later on.

A parallel distinction of liberal democratic theory is offered by Johan P. Olsen and James G. March (1989: 117-142), who identify aggregative and integrative theories. *Aggregative democracy* has been the dominant notion, regarding democracy as a means to regulate interaction between individuals, namely the aggregation of preferences through voting and the balancing of powers. Thus, aggregative democracy is all about fixed institutions, while *integrative democracy* on the other hand focuses on the interactions that keep society together. Integrative democracy regards the capability of citizens to influence the decisions affecting them as more important than having the same accessibility to channels of influence. By participation, a common identity is constructed, and this should be the basis for any demos (Sørensen 2005:212-2017).

Bernard Manin (Manin 2002, English original in 1997) carries through an interesting evaluation of contemporary democracy by comparing it to the Athenian classical interpretation and consequently comes up with two main differences between classical direct democracy and representative democracy:

1. The people have no institutional role in representative democracy
2. Classical democracy used the drawing of lots rather than voting

Athenians used both election by lots and election by voting, the latter for duties which required certain competences and long-term engagement. The duties that weren't appointed to the people's assembly were appointed to government

officials, of which about 600 of a total of 700 were elected by drawing lots. By comparing the practices of drawing lots and voting, Manin is able to pinpoint the democratic deficiencies in the representative system. Manin (2002:7-8) concludes that drawing lots as a method achieves a representative selection, in contrast to voting, that consequently by definition, is an elitist, selective process. Liberal democracy thereby does not correspond to “the rule of people”, but the rule of an elected elite, or as one of the Founding Fathers puts it in 1787:

“The two great points of difference between a democracy and a republic are: first, the delegation of the government, in the latter, to a small number of citizens elected by the rest; secondly, the greater number of citizens, and greater sphere of country, over which the latter may be extended. The effect of the first difference is, on the one hand, to refine and enlarge the public views, by passing them through the medium of a chosen body of citizens, whose wisdom may best discern the true interest of their country, and whose patriotism and love of justice will be least likely to sacrifice it to temporary or partial considerations.” (Madison 1787-8: 82)

As Madison explains, representation (or republic) was preferred to democracy firstly because of the size of modern societies, secondly because of the possibility to elect an elite rather than “the people”. Additionally, election by drawing lots was rejected because of the perception that the government needed to be based on the active consent of the citizens to be legitimate. As Manin (2002) strongly point out, the Founding Fathers saw a fundamental difference between classical and representative democracy specifically in the sense that the latter is aristocratic (gaining from the wisdom of a chosen body of citizens, as Madison puts it), rather than democratic. This difference between the classical notion of democracy and contemporary liberal democracy is seldom reflected upon today. Instead, the distance between the elected politicians and the represented seem to grow larger, a pattern certainly contributing to declining voting turnout and political participation. The contemporary difficulties of liberal democracy, especially the falling levels of participation, has engaged scholars in evolving democratic theory beyond liberal democracy, specifically seeking ways of improving civic engagement and participation. These theories, which to a lesser or greater extent reject the representative model, are jointly entitled *post-liberal democratic theories*,

and are a subject of focus that I will return to later in this chapter. First, however, we need to return to representative democracy, since this is the system of governance to which the post-liberal theories react. It is worth noting here, however, that representative theories have changed since the time of the Founding Fathers, adapting to a changing society over a period of two centuries.

2.1.2 Representative democracy

Governance through representatives has its origins in the feudal society, where the use of assemblies of estates was expected to give the people a sense of obligation towards the government (Manin 2002:98). The founders of the representative system in the 18th and 19th centuries explicitly wanted the representatives to be superior to the represented regarding wealth, talent and moral features (Manin 2002:106), and this was later also regarded as secured merely by the mechanisms of election by voting (Manin 2002:143-144;148). While classical direct democracy saw equality as everybody's equal possibility to hold office, representative democracy viewed equality as everybody's equal right to give or not to give consent to an authority. Consequently, representative democracy saw the people as a source of legitimacy, not as persons aspiring for office (Manin, 2002:104). Other significant differences to direct democracy are that, after being elected, the representatives are able to act autonomously from their constituency, since imperative mandates are not allowed (representatives cannot be forced to vote in a certain way in a certain issue) and representatives cannot be dismissed. When regarding democracy as "the rule of the people", these characteristics are principally undemocratic. Still, the notion of democracy being about equal rights rather than the rule of the people is supreme today. Why did this elitist representative system receive such a position on behalf of a genuine democratic rule?

For dealing with the classic trade-off in liberal democracy between efficiency and democracy, between collective decision-making and individual liberty, representation was regarded as a good compromise. Since efficiency hinders every citizen from having a say in every issue, representatives are able to speak on behalf of a larger constituency. Another important feature of liberal democracy that has furthered representation is the nation-state hegemony, which has formed the basis

for liberal theories for 250 years. Larger or smaller demos than nation-states have been of subordinate importance, and this circumstance has certainly also contributed to the supremacy of the representative notion of democracy.

The representative system seemed like a good fit to the industrial nations that emerged in the 19th and 20th centuries. To get a further nuanced picture of the characteristics of representation, we will now take a closer look at the evolution of representative democracy over the last two centuries. Bernard Manin (2002) introduces *parliamentary*, *parties* and *audience democracy* as the three stages in the development of representative democracy. During the larger part of the 19th century, *parliamentary democracy* was dominant. Elections were supposed to appoint persons to government who enjoyed the trust of the citizens. The candidates won the confidence by their social prominence and with the aid of networks of local connections. While the maintenance of a close relationship between the representative and the constituents was of the essence, the confidence of the people was also based on the fact that the represented and the representatives belonged to the same social collective. Parliamentary democracy was explicitly a rule of an elite, the so-called notabilities. The representatives were free to follow their own consciousness, i.e. they were not the spokesmen of the voters, but their trustees (Manin 2002:218-219).

At the turn of the century, universal suffrage was introduced, which meant that every representative could not maintain a personal connection to every constituent, since the number of voters simply became too large. Instead, the practice of voting for a political party over a candidate led to the shift to *parties democracy*. This shift was eventually acclaimed as the end of the rule of the elite and the possibility for ordinary people to be elected. However, Manin (2002:222-223) points out that already in 1911 Robert Michels (1963) illustrated that social democrat voters were not similar to their representatives, and consequently, the aristocratic quality was present also in parties democracy. At the same time, modernistic social science undermined the notion of the state as the common good of the people. Instead, the actions of elected politicians were increasingly legitimised by references to experts rather than by the consent of the people, hence, the rise of the bureaucratic welfare state (Bevir 2010:25). Parties democracy

implied voting for parties; in other words, it entailed party loyalty. This phenomenon is very much explained by the industrial society and the division of the classes that had consequently emerged. Accordingly, people voted for the party most strongly corresponding to their social class, and then trusted the party to elect favourable candidates. This in turn meant an eradication of the personal contact between the representative and the people, and therefore the representation came to solely mirror the social structure of society (Manin 2002:224-225). Still, social class voting implied a simplified decision for voters, since party programmes became a central position within politics.

From the 1970s onwards, a further shift of the representative system is identifiable, which coincided with the end of the modernist industrial society and the start of the post-industrial individualised world. Prior to the seventies, political views could be explained by socio-economic background, although this connection has not been as definite since. Instead, the personal qualities of the candidates have become increasingly important at the expense of the political party, and accordingly, we again see representation based on the personal character of the representative (Manin 2002:235). There are therefore similarities between parliamentary democracy and this new system, which Manin calls *audience democracy*. In audience democracy, the media offers the leaders of political parties a direct contact to the people, which in turn reduces the importance of the party workers. Related concepts are *mediacracy*, introduced by Phillips (1975) focusing on the mediatisation of politics, and *post-democracy*, coined by Crouch (2011), implying “a political system where politicians are increasingly confined to their own world and are linked to the public primarily through methods of manipulation, which are based on advertising and market research, while the external forms of democracy seem unaffected” (Crouch 2011:7, introduction to Swedish edition, my translation).

In audience democracy, the front-stage appearance of the politician is the most important tool for reaching the targeted groups of voters, rather than engaging in face-to-face discussions with them (de Beus 2011:23). The media has in itself also progressively become an independent political actor. When politicians earlier set the agenda for journalists, they now need to meet the demands of media selection

and production in order to get journalistic attention (de Beus 2011:25-28). In an ever more complex world, it is increasingly more difficult for any politician to act according to a fixed party programme, and consequently, election pledges have become vaguer. Visions of the future are less particular, resulting in an increase in the liberty of representatives to act according to arising circumstances. These predicaments result in a growing significance of the image and personal qualities of the candidates rather than party ideology or party programmes (Manin 2002:236). With the diminishing importance of party programmes, voters have less opportunity to vote for future policies, and are left, instead, to judge what has already happened together with the trust and image each candidate has produced (Manin 2002:250).

Compared to parties democracy, under audience democracy the parties have become tools for the service of the party leaders, who form the party as well as the parliamentary group, the ministry etc. to a permanent campaigning machine in order to ensure that the right party message reaches the right section of the public (de Beus 2011:23-24). Simultaneously, the head of government becomes the most important representative of the people, rather than the members of parliament. The competence of handling the media has now become the most important skill of a politician. In this way, when parties democracy reduced the differences between the represented and the representative, audience democracy has entailed a democracy with stronger elitist characteristics (Manin 2002:249). To further compare parliamentary and audience democracy, since the first was obviously elitist, and the latter similarly elect an elite while lacking the personal connections between the representatives and the voters, the elitist characteristics are perhaps even more pronounced in audience democracy.

Another characteristic phenomenon of audience democracy is the mobility of the voters. Prior, mobility was typical for a small number of uninformed or ignorant voters, but in the age of the knowledge society, well-informed people are less likely to express party loyalty and are instead concerned with specific issues. This mobility stimulates politicians to attempt to direct public debate towards particular issues and increasingly present propositions directly to the people, through the media. This is a typical feature of what Manin (referring to Nie, Verba & Petrocik

1979:319) describe as the reactive dimension of politics, which is characteristic for audience democracy (Manin 2002:238). This implies that voters increasingly choose their candidate according to the personality of the individual and the issues he or she happens to emphasise, rather than voting according to class identity, culture or party programmes.

While the decline of the industrial society implied a reduced importance of voting according to socio-economic belonging, the society is still anything other than homogeneous. Numerous intersecting social and cultural dividing lines exist, offering politicians, with the aid of media experts, the possibility to construct divisions of the society suitable to the specific policies the candidate wants to promote. In this respect, media training, media monitoring and electoral research become increasingly important, as the proficiency of spinning the news is decisive for electoral success; in most cases this is based on popular preferences in polls (de Beus 2011:23-24). Of course, although all voting decisions under representative democracy have been reactive, earlier, the alternatives have, to a larger extent, mirrored social reality. With audience democracy, the alternatives are mostly chosen by the politicians, a circumstance of course multiplying the reactive dimension of politics. As a consequence, Manin compares the relationship between the people and the politicians to a theatre, where the politicians are the actors and directors and the people are the passive audience, hence the term audience democracy (Manin 2002:242-243). As we have seen, the new reign of audience democracy is concerning from a democratic point of view, with elitism and the difficulty for the represented to influence future policies as especially worrying features. Still, positive aspects have been pointed out. Jos de Beus (2011:34) indicates that the growing focus of the concerns and interests of the people, by journalists and politicians on all levels, might be beneficial for democracy.

In conclusion, liberal democracy, with a system of representation, is not democratic in the sense of corresponding to the ideal of 'the rule of the people'. Rather, it is the legitimised rule of an elite, and this is what we should have in view when using the term democracy today. Even if there is a significant interest in the opinion of people, displayed by a growing number of polls, non-stop political

campaigning etc., the election of representatives is an elitist system with a strong element of top-down steering. Of course, the democratic virtue of polls is a complicated matter, since the selection of questions may not even be relevant to the individual. When evaluating democratic and economic conduct through bottom-up processes, which have a far greater potential of corresponding to “the rule of the people”, it is obvious that such processes are difficult to facilitate in a strict hierarchic representative system. With this in mind, we need to take a look at post-liberal democratic theories.

2.1.3 Post-liberal democratic theories

A general understanding of contemporary society that certainly has a fundamental impact on democracy is the shift from *centrism* to *pluricentrism*. As Sørensen (2012:513) points out, there is general agreement amongst both political and governance theorists that liberal democracies are becoming increasingly pluricentric. In this regard, Sørensen presents four reasons for this development (2012:513-514):

1. **Political globalisation** refers to the establishment of transnational political institutions and public and private organisations, which set new standards for the conduct of nation-states both internally and externally.
2. The new governance reforms, especially the first wave of the NPM reforms, led to a **de-bureaucratisation** of the state, which fragmented the political system into a plurality of self-regulating units of public governance.
3. A consequence of the New Governance reforms was a **reinterpretation of private actors** (e.g. voluntary organisations and businesses), which basically implied the diminishing of the division between the governed and the governing.
4. Another consequence of the governance reforms and the increase of participating actors was a general **acceptance of governance networks**, as a both valuable and legitimate contribution to public governance.

Especially during the last two decades, a growing number of scholars have been addressing the increasing difficulties that the liberal and representative notions of

democracy are experiencing in the post-modern, pluricentric society. These theorists, sometimes called radical democrats, present solutions that aim, to a lesser or greater extent, towards relaxing the hierarchic system of representation for the purpose of increasing participation and for counteracting the passivity and apathy that is visible in most Western democracies. Eva Sørensen (2005, 2009, 2012) has discussed these new democratic concepts in several publications, labelling them jointly as post-liberal democratic theories. Although these theories are disparate on many accounts, Sørensen (2009:53) identifies three common difficulties these theories identify in traditional liberal democracy:

- 1) The nation-state is increasingly becoming unfit to be seen as the only form of demos; in many cases both transnational and local demos appear to be more appropriate.
- 2) Representative democracy has failed in creating a satisfactory interaction between the represented and the representatives, which means that new functional and/or territorial forms of participation are needed.
- 3) The strict separation of the private and the public realms in liberal democracy is a restriction. Democracy should be strengthened through arenas of governance in between the public and private realms, where citizens and stakeholders are able to participate in issues affecting them. This also implies a growing importance of self-governance.

Post-liberal theories acknowledge the passivizing effect of the mediatisation of politics visible in audience democracy and the consequent need for new forms of participation. In this respect, scholars identify the emergence of the pluricentric society, which is in opposition to the uni-centric notion of nation-states, and concurrently the occurrence of nation-states with a large number of demos (see Sørensen 2012:513-518). The question posed by post-liberal theorists is how and if political decision-making involving a multitude of demos can be regulated in a democratic fashion (Sørensen 2012:510). The solution suggested by most of these theorists is the linking of self-governance and deliberation on the basis of self-regulated rules and norms (Sørensen 2009:54), since the liberal democratic concept generally only sees the importance of participation and deliberation for enhancing the sense of communality within a demos, and not for improving the democratic

interaction between democratic units (Sørensen 2012:509). Deliberation itself is divided by two different understandings, with a Habermasian concept of reaching consensus through a reasoned debate (Habermas 1984), and a Mouffean notion of stimulating agonism as a solution to antagonism rather than having consensus as the ultimate objective (Mouffe 2000; 2005; 2013).

As mentioned, the last two decades have been a time of idea generation regarding democratic novelties. Sørensen and Torfing (2005:219-227) have made an attempt of categorising different post-liberal democratic theories according to the dimensions conflict/coordination and calculation/culture, resulting in four categories which neatly summarise the visible post-liberal trends:

- 1) **Power-balance democracy** is a reformulation of traditional and aggregative elite theory in the manner that it sees democracy as a competition among elites. Accordingly, Eva Etzioni-Halevy (1993) suggests that the pluricentric society should produce sub-elites, which control the political elite between elections and additionally form an intermediary level to assist movement between the citizens and the elites. The associative democratic model of Paul Hirst (1994; 2000), on the other hand, suggests that representative democracy needs a publicly funded and self-governed association at the local level in order to establish a vertical power balance between the local level and the state. In this model, although voting in national elections remains important, it is supplemented with functional demos, where affected citizens, rather than all citizens, have access. These theories highlight the importance of a vertical and horizontal balancing of powers, between elites and sub-elites, the state and local associations and through the sharing of powers between the producers and users of services.
- 2) **Outcome-oriented democracy** sees democracy as a production of desired outcomes rather than a manner in which democratic institutions are set up, and is consequently an integrative approach. The leading theorists here are Archon Fung and Erik Olin Wright (2003), who in their “Empowered Participatory Governance”-model suggest that democratic institutions are effective and produce desired outcomes if they work according to three

principles: 1) democratic institutions should be designed for the given situation; 2) bottom-up participation of relevant stakeholders who contribute with insights and engagement ensure effectiveness; 3) deliberative problem-solving should be used in order to ensure that the participants find acceptable solutions and respect each other. To avoid societal fragmentation, Fung & Wright (2003:21) also call for centralised supervision.

- 3) **Community-oriented democracy** draws from integrative democracy but differs in the way that the notion of a unitary democratic community, e.g. the nation-state, is regarded as obsolete. Community-oriented theories also denounce the Habermasian idea of a reasoned debate with the aim of identifying a common good, and instead, authors such as March & Olsen (1989; 1995) and Sandel (1996) see a multitude of competing communities and identifications, “from neighbourhoods to nations to the world as a whole” (Sandel 1996:530), and with the aid of institutions that facilitate a deliberative debate, the citizens are able to navigate in this patch-work and construct identities, forming shared stories and linkages between different belongings.

- 4) **Discursive democracy** responds to the way liberal democracy regards the polity as pre-political and thus lets it escape democratic regulation. Discursive democracy is aggregative in the manner that it understands democracy as a way of regulating political conflicts and integrative since it is concerned with the question of how political actors “discursively construct themselves and others as democratic actors” (Sørensen & Torfing 2005:226). John Dryzek (2000) emphasises the facilitation and regulation of an ongoing discursive contestation as central for an ideal democracy. Similarly, Mouffe (2000) belongs to this category as well, with her thoughts of transforming the enemy to the adversary and antagonism to agonism. Additionally, Mouffe highlights the contingent character of the political, i.e. the risk of aiming at reaching consensus and the common good and thereby overriding contrasting beliefs (Mouffe 2005).

Table 1 on the next page summarises the democratic schools of thought presented above. The point of departure here is the change of definition of democracy; implying actual participation of all (free and male) citizens in ancient Greece, while the liberal democratic interpretation rather corresponds to legitimised governance than the 'rule of the people'. Notably, the different interpretations of democracy mirror the societies they were present in: classical democracy was applicable in the city-states of ancient Greece, where slaves and women were excluded; liberal democracy suited the nation-state hegemony; and the individualistic, globalised and pluricentric postmodern society makes claims for a post-liberal interpretation of democracy. Liberal democracy, on the other hand, has developed into audience democracy, turning citizens into spectators rather than participants.

Classical Democracy		
<ul style="list-style-type: none"> - Democracy a device for people to participate, 'the rule of people' - Democracy corresponds to 'the common good' 		
Liberal Democracy		
<ul style="list-style-type: none"> - Equal individual rights and freedoms rather than the common good - Nation-state natural demos - Representation ensure political equality 		
Protective Democracy	Developmental Democracy	
Democracy protect citizens against encroachment rather than participation	Participation central for development of democratic citizens	
Aggregative Democracy	Integrative Democracy	
Aggregation of preferences through voting and balancing of powers	Interaction and participation construct common identities	
Representative Democracy		
<ul style="list-style-type: none"> - Representation compromise between efficiency and democracy 		
<i>Parliamentary Democracy</i>	<i>Parties Democracy</i>	<i>Audience Democracy</i>
Close relationship between constituent and constituency	Collective class identification and voting	Passivation of citizens, polls and media exert strong influence on political agenda
Post-liberal Democracy		
<ul style="list-style-type: none"> - Nation-state contested as natural demos - Acceptance of direct participation of stakeholders - Participation and efficiency not necessarily contradictions 		
Power-balance Democracy	Outcome-oriented democracy	
Vertical power balance through sub-elites	Production of desired outcomes through ad hoc participatory institutions	
Discursive Democracy	Community-oriented Democracy	
Democratic regulation and facilitation of discursive contestation	Deliberative debate guide citizens amongst a multitude of competing communities and identifications	

Table 1. *Classical, liberal and post-liberal democracy.*

2.1.4 New Governance

As in almost any imaginable field of human life, the act of governing, the exercising of authority or, in popular terms, the system of governance has seen substantial shifts since the late 1800s. Then, in the turn of the century, developmental historicism, a view where the existence of the state is explained by the nation, the language, the culture and the past, left room for a scientific perception of society. Modernism stepped in with rationality, correlations, models and classifications, while the roles of actors and institutions in the system of the state came to be more important than the history of the nation, and consequently, instead of seeing the state as a unitary entity, it was comprehended as pluralistic and containing a plurality of interests (Bevir 2010:24). Under historicism, the state was understood as the expression of a nation which shared a common good; under modernism, the state corresponded to rationality. Accordingly, the transformation that occurred in the first half of the 20th century involved bureaucratic solutions in the form of corporatism or the welfare state, where politicians to a greater extent leaned on the verdicts of experts than on the will of the people (Bevir 2010:25).

The second transformation of governance occurred in the 1980s, when the hierarchic government stepped aside for the *New Governance*. This shift originated from a perception that the modernist state was in a condition of crisis, caused by 1) the rigidity of bureaucracy, 2) inflation caused by the Keynesian economy, 3) the obsolescence of national economic regulation and policy caused by globalisation and 4) the view of the welfare state causing a rising demand for welfare services resulting in an ever growing public sector (Bevir 2010:27-28).

The first wave of New Governance reforms – neoliberalism and New Public Management

These factors, and especially the last one, were expressions of rational choice theory and neoliberalism, which represented the schools of thought that formed the first wave of New Governance reforms. This wave of reforms was an expression of economic rationality found in rational choice theory, a fundamental element in the neoliberal notion that spread around the world in the 1980s. Rational choice theory perceives social life as humans acting according to their own preferences, commonly assumed as selfishness, although other preferences are possible. The will of the citizens is regarded as becoming visible through the choices they are able

to carry out on a free market. Critics, however, imply that only the consequence of a particular action is visible, not the action in itself nor the idea behind it (Bevir 2010:21-22). Moreover, rational choice theory concentrates on the individual rather than the institution and sees social facts as the aggregation of interactions between individuals. Neoliberalism regards the market as indisputably superior to the state in efficiency, and consequently, since the bureaucratic state is rigid and cannot cope with the changes of globalisation, it needs to be reduced. One way of interpreting the changes neoliberals recommend is the differentiation between *steering* and *rowing* advocated by Osborne & Gaebler (1992). Steering correspond to policy making, while rowing is the actual delivery of public services. Influenced by rational choice theory, neoliberals saw public officials as acting in their own interest rather than in the interest of the public, and therefore bureaucratic structures are considered to grow without reason. Instead, contracts, competition and management by objectives, i.e. characteristics of New Public Management (NPM), should form the rowing of the government in order to give the state the opportunity to focus on steering (Bevir 2010:30-33). Now, decades later, we see that the states have not been reduced by these measures; rather we see a growing number of networks of actors performing public service. Thus, the state has identified a need to set up a sort of monitoring system, an audit system, which has come to form a whole new branch of the state. As Levi-Faur & Jordana explain, "the era of neoliberalism is *also* the era of regulation" (2005:6). According to Bevir (2010:188-189), few studies have been made of audit systems, yet Hood et al (2000) concluded in a study of audit agencies in Great Britain that the number of oversight agencies increased by over 20 percent and the quantity of staff by 90 percent between the years of 1970 and 1990.

To sum up, the first wave of governance reforms aimed at improving efficiency and flexibility, and achieved this by a roll back of the state and by allowing private companies and public organisations to compete under regulations laid down by the government. This resulted in a public service system based on networks with market relations.

The second wave of New Governance reforms – New Institutionalism and New Public Service

During the age of the bureaucratic state, the scientific view of the state and public administration was dominated by institutionalism, which focuses on formal rules, procedures and organisations rather than on individuals and the aggregation of interactions, as in rational choice theory (see Adcock et al 2007). Following the entry of neoliberalism, scholars strived to reintroduce the importance of institutions, and consequently we saw the birth of *New Institutionalism* (Bevir 2010:45-51). Again, the focus was on formal procedures and organisations, albeit with the addition of norms, habits and culture. New Institutionalism criticises rational choice theory for its reduction of human behaviour to merely utilitarianism and for disregarding the influence of norms etc. Among the leading theorists of New Institutionalism are James March and Johan Olsen, who see political institutions as creating identity, solidarity and adaptiveness. In other words, political institutions shape peoples social values and belief systems and in this manner form the basis for the norms that people act by (see e.g. March & Olsen 1995).

Institutional theorists regarded NPM as creating a system where self-interest prevented public spirit and public service, ultimately resulting in a denial of citizenship (Bevir 2010:102). Based on the importance of culture and norms, institutional theorists advocated for participation, cooperation and democratic debate in order to promote public spirit, democratic values etc. These theorists thus called for New Public Service (NPS) in the form of a shift from market relations to collaborative relations in networks, where the private and voluntary sectors are allowed to participate in policy making. Bevir (2010: 104), referring to Vigoda (2002), concludes that the two waves of reforms responded to the bureaucratic state, which was neither responsive nor collaborative, and while NPM managed to improve responsiveness, it totally neglected collaboration, which was what NPS was really supposed to answer to.

The 1990s and early 2000s saw an abundance of scholarly literature that viewed the NPM governance systems as a system of networks, where the state had a few possibilities to control other actors or the development of society (see e.g. Pierre

2000, Rhodes 1997). In this view, the state had to focus on steering rather than commanding, a notion that led social scholars to develop *governance networks theory* (see Sørensen & Torfing 2007). Theories of governance as networks see networks as flexible solutions able to facilitate social coordination and links between institutions in a manner that bureaucracy and markets are not.

Regarding participative forms of democracy, it is important to distinguish between governance networks that actually do things, and other participative platforms created as merely advisory forums for the sake of the representative system. The first are networks with financial or other resources, primarily gathering people in important positions, and these kinds of networks often escape democratic accountability. To some extent, publicly funded development projects might be included in this group. The latter group are government responses to the reflexive and pluricentric society, in the form of citizen juries, expert groups, e-petitions and so on, i.e. platforms without actual influence.

2.1.5 Democracy and New Governance – Metagovernance bridging liberal democracy and New Governance

The first wave of New Governance reforms was criticised for creating a structure where the lines of accountability were weak and relying merely on market mechanisms. Although the theorists of New Institutionalism wanted to bring back democratic debate and democratic values, in practice, implemented reforms used institutionalism theory as a way of improving steering, thereby neglecting the genuine participative ideal. In this way, the second wave of reforms also aimed at improving efficiency rather than attempting to establish genuine participation. Current reforms have seen the addition of deliberative democratic elements, such as dialogue, consensus and participation in different forms. Still, as the EU White Paper on Governance (2001) exemplifies, new participative features do not aim at achieving real autonomous local organisations, but at achieving efficiency and legitimacy by involving affected actors and winning support for decisions (Bevir 2010:119).

Indeed, the dominant issue of New Governance or governance network theory during recent years has been whether governance through networks may become

democratic and legitimate. The New Governance has certainly upset the simple arrangement of accountability in traditional representative democracy, where issues such as inclusivity and legitimacy of participation have been more or less non-existent. In this regard, Peters (2010:40-43) identifies four main democratic problems due to network governance:

1. **Decision-making** under traditional hierarchic representative democracy, with bureaucratic institutions, majority rule and other constitutional principles, is rather effective, as well as the following legally constricted implementation phase. The decisions are not necessarily of high quality, but decisions are nonetheless taken. Under New Governance, decision making is not as straightforward. Governance networks often lack clear decision-rules, and the norm is often bargaining to gain consensus. The end-result is consequently indefinite.
2. **Participation** is one of the critical issues of representative democracy today. The evidence of declining public involvement is abundant, at the same time as governance scholars criticise the ability of representative democracy to translate public wishes into action. Governance networks are expected to involve a larger range and amount of actors, not limiting this involvement to elections but achieving more continuous participation. Although inclusiveness is a problem for representative democracy, the ability to include marginalised groups with minimal organisational skills is also a difficulty for governance networks.
3. **Coordination** has always been a difficult task for governments, but these problems have been aggravated as a consequence of the two waves of governance reforms. Of course, by having more or less autonomous organisations positioned outside the public sector, a larger total amount of involved organisations and senior managers are able to make their own decisions, which only adds to increasing coordination difficulties.
4. Peters see **accountability** as the major issue to overcome for governance networks. Under representative democracy, the link of accountability is secured through the elected politicians. Regarding governance networks,

scholars debate whether direct linkages to politicians are important or whether accountability may be established in other ways.

These are the issues that perhaps the dominant proposal for legitimising governance networks wants to address, namely the concept of *metagovernance* (see e.g. Jessop 1997, Peters 2010, Meuleman 2008, Sørensen & Torfing 2007, Damgaard & Torfing 2011). Metagovernance builds on the understanding that there are a number of organisations and processes in public governance with substantial autonomy, and these needs to be coordinated and somewhat controlled. Metagovernance is often referred to as the “democracy of the affected” and as “self-governance of governance” (Damgaard & Torfing 2011:295), which implies a certain amount of liberty for the participants in the networks, and accordingly metagovernance aims at being more subtle than standard regulating tools (how this succeeds in practice is discussed in Article 2). Bob Jessop describes metagovernance in the following manner (Jessop 1997:575):

“Political authorities (at national and other levels) are more involved in organising the self-organisation of partnerships, networks and governance regimes. They provide the ground rules for governance; ensure the compatibility of different governance mechanisms and regimes; deploy a relative monopoly of organisational intelligence and information with which to shape cognitive expectations; act as a ‘court of appeal’ for disputes arising within and over governance; seek to re-balance power differentials by strengthening weaker forces or systems in the interests of system integration and/or social cohesion; try to modify the self-understanding of identities, strategic capacities and interests of individual and collective actors in different strategic contexts and hence alter their implications for preferred strategies and tactics; and also assume political responsibility in the event of governance failure.”

Through metagovernance, the control of the direction of the economy and the society is expected to be provided, while at the same time preserving the efficiency gains of the decentralising government reforms (Peters 2010:48). In this understanding, metagovernance is a method for establishing a line of control from the traditional system of government to governance networks. While many

governance theorists see metagovernance as a tool for public administrators to gain control, Eva Sørensen (2006), in particular, highlights the importance of politicians to access this control and thereby re-establish the line of accountability to citizens. However, metagovernance is the result of cooperation between a plurality of actors, from public administrators and politicians to private actors and professionals. Accordingly, Sørensen advocates for politicians to assume a central position in metagovernance, directly participating in governance networks while still being merely one of the participants (Sørensen 2006:103-105).

For the purpose of exercising metagovernance, a number of tools have been presented. Damgaard & Torfing (2011:295) distinguish between hands-off tools, i.e. frame-setting and designing networks, making rules of membership, setting up goals, institutional procedures, funding etc., and hands-on tools, such as expert advice and consultancy. Peters (2010:44-48) offers five categories of tools in this respect:

1. **Performance management** is associated with NPM and implies setting objectives for the delivery of services within the public sector. Regarding metagovernance, performance management enables the governing actor to determine goals and thereby the activity of the specific organisation without controlling the type of actions conducted to reach this goal.
2. **Strategic management** implies coordination amongst actors, but in a manner where the general objectives of the society are set first, and the disparate goals of individual organisations and processes are coordinated in accordance with the goals of the society. Peters sees strategic management as metagovernance, since central values and goals are set, but the means of achieving these goals are unspecified.
3. Controlling the budget through **contracting, allocating personnel and control over secondary legislation** are all seen as effective means of achieving control.
4. The bureaucratic state implies governing through the use of law and formal authority. In international governance, most notably the European Union, **soft laws** have been developed to achieve control when such kinds of tools are not applicable. These laws consist of softer instruments such

as negotiations and objectives, i.e. The Open Method of Coordination of the EU.

5. All of the above instruments are backbone solutions of administrators, aiming at formal and structural solutions. However, Peters sees **trust and values** as potentially the cheapest and most effective tool for metagovernance. The notion is to steer the development of common political and administrative values in order to control the multitude of organisations and processes, a concept which may be interpreted as a method for shaping the environment of action for the actors in the system of governance. These values must represent the importance of public interest and be extended to the structures providing public services. The critical point of this approach is if the governing coalition for some reason collapses.

2.1.6 Summary: beyond New Governance

What we have witnessed during the last three decades is first, the emergence of governance networks driven by New Public Management reforms aiming at reducing the “rowing” activities of the state, second, the identification of democratic deficiencies in the emerging network society and the suggestion of a variety of solutions. Pierre (2000:3) identify two types of responses, namely 1) the state-centric perspective, which basically implies maintaining the state-centric concept and adding new rules, and 2) the society-centred perspective, where the state-centric concept gives way to completely new patterns of rule. Pierre concludes that as most governmental systems are oriented towards the rule of law and regulation, a condition is thus created where state-centrism is maintained but challenged as a result of the growing powers of networks (2000:243). In this context, metagovernance may be described as a method for the liberal democratic government to gain control over the post-liberal reality involving governance networks. Thus, metagovernance is more of a state-centric response, while more radical post-liberal democratic concepts aim at creating more autonomous and local decision-making, in other words, closer to changing the game completely.

Bevir (2010:18) view the rise of governance as being closely linked to “new forms of knowledge and expertise”. Accordingly, the two waves of New Governance

reforms have followed two types of expertise. The first wave was guided by economic rationality, which implied democratic decision-making stepping back for the sake of independent institutions, such as courts, central banks etc. The second wave of reforms was led by institutionalism and advocated horizontal accountability and inclusion based on partnerships and networks, including also the private and voluntary sectors (Bevir 2010:256). Along with the third public management model in the modernist state, i.e. the Weberian bureaucratic state, all these models are expertise-based; in other words, dominated by a top-down way of functioning with experts or authorities applying rational solutions when deemed appropriate. Bevir sees an ultimate democratic failure in all three systems, specifically in the top-down way of functioning, with experts giving rational and – almost by definition – general verdicts disregarding local specificities. In contemporary social science, we see a rising importance of the notion of learning in concepts such as *policy learning*, *transnational learning* and *social learning*, each giving room for local knowledge and experience.

Policy learning responds to apparent deficiencies of the governance system, with both extensive and rigid elements such as audits and regulatory frameworks (see Room 2005). Policy learning comprehends policy development as an incremental process, where new ideas and situations are evaluated against past experiences. Thus, the importance of local skills and knowledge are of importance (Bevir 2010:192-193). A closely related concept is transnational learning, which refers to learning between localities in the different contexts of different countries (see Mariussen & Virkkala 2013); the concept implies a mixing of tacit and codified knowledge adapted to the specificities of the localities in question. This is done through a four-step-process, initially introduced by Nonaka & Takeuchi (1995), named SECI (Socialisation, Externalisation, Internalisation, Combination). First, the process involves the introduction of experiences from a different country. Second, an interpretation is made of these models to the context of local specificities and tacit knowledge. Third, an internalisation of the new ideas takes place. Fourth, the combination of new and local knowledge is implemented into new models. Yet another related concept is social learning, which refers to theorists who see human behaviour as fundamentally unpredictable. Consequently, technocracy does not amount to efficient policies. With social learning, citizens

receive policy ideas; they are able to point out problematic issues, build trust and mutually set an agenda through participation and dialogue (see Dryzek 2000). The concepts of learning are in opposition to general expert verdicts and benchmarking activities and instead advocate adaption to local circumstances, and accordingly, the empowerment of local resources.

To summarise, there are a number of post-liberal suggestions as to which manner the system of governance needs to be developed in order to correspond to the post-liberal reality we face. A common theme with all of these suggestions is that they advocate room for local actors, vis-à-vis the state, to manoeuvre; i.e. the housing of governance networks and processes of learning as described above. There are, however, differences in the theories as to how far nation-state hegemony should be abandoned. Metagovernance maintains the state-centric system to a larger degree by offering the government steering possibilities, while other post-liberal theories see stakeholder involvement, publicity and public debate as sufficiently legitimising procedures. Of course, metagovernance may also be exercised at different levels, by local, regional, national or international authorities. Activities of learning may be regarded as legitimising processes within the metagovernance concept, but above all, they may be regarded as genuine bottom-up processes, pursuing the circumstances of localities, of the environment, of the structure of society and of citizen preferences. Thus, if we go beyond new governance by reaching for even more advanced bottom-up processes, the radical post-liberal suggestions are on par with metagovernance. Accordingly, selecting one of these responses over the other is more of a political than an academic issue. This is a point I will return to after discussing the economic aspect of society.

2.2 Economy

We have been looking at megatrends in society during the last century and the implications these have brought about for the act of governing, or specifically, the democratic or legitimate aspect of governing. Generally, we see a shift from centrism to pluricentrism, where localities play an increasingly influential part. Whilst this shift implies challenges for the legitimacy of the governing system, it has also certainly been of significance for the economic aspect of human life. In this field we see a shift from Fordism to Post-Fordism, from the welfare state to the Schumpeterian Workfare state and from the industrial paradigm to the knowledge paradigm, changes which are quite expectedly in parallel with the direction to pluricentrism and post-modernism explained earlier. First, we will take a look at the economic cycles during this time period.

2.2.1 Kondriatev waves

In their book “As Time Goes By: From the Industrial Revolutions to the information Revolution”, Freeman & Louca (2001) describe economic development in capitalist countries as long waves. The most common instance of such waves is *Kondriatev waves*, suggested by Nikolai Kondriatev (see e.g. Kondriatev 1926) and later emphasised by Joseph Schumpeter (1939). Kondriatev saw economic development as cycles of approximately fifty years, with the first half of the cycle constituting upswing and the second half downswing and crisis adjustment. Accordingly, we have witnessed five Kondriatev waves during the last two centuries (see Table 2 on the next page), primarily based on technological development and innovations.

	Technological revolutions	Leading branches of economy	Managerial and organisational changes	Approx. time period
First industrial revolution	Water-powered mechanisation of industry	Cotton spinning, Iron products Water wheels Bleach	Factory system Entrepreneurs Partnerships	1780-1848
	Steam-powered mechanisation of industry and transport	Railways Steam engines Machine tools Alkali industry	Joint stock companies Subcontracting to craft workers	1848-1895
Second industrial revolution	Electrification of industry, transport and the home	Electrical equipment Heavy engineering Heavy chemicals Steel products	Specialised management systems Taylorism Giant firms	1895-1940
	Motorisation of transport, civil economy and war	Diesel engines Automobiles, trucks, tractors, tanks, aircraft Refineries	Mass production and consumption Fordism	1941-1973
Third industrial revolution	Computerisation of entire economy	Computers Software Telecommunication equipment Biotechnology	Internal, local and global networks	1973-

Table 2. *The five Kondratieff waves. Alteration of Freeman & Louca (2001:141).*

There are of course other classifications of economic cycles, one being the combination of the Kondratieff waves into three industrial revolutions seen in Table 2, and other constituting shorter business cycles (e.g. Kitchin cycles, Juglar cycles) based on pure econometrics. Instead of using simplistic measurements of GDP, industrial production etc. as in the case of shorter business cycles, long waves are based on structural and qualitative changes in the economy. Freeman & Louca (2001:123) conclude that economic development is dependent on five separate sub-systems of society, namely science, technology, economy, politics and general culture, and with the environment constituting a sixth decisive element wherein the first five are embedded. Although developing separately, favourable economic development is believed to be dependent on the congruence and interaction between these systems. For instance, science and technology advance separately, since tools such as the hammer, the plough or the steam engine have been

developed independently of science, but yet, the knowledge of the laws of physics are obviously fundamental for innovations of that kind, and accordingly, science may boost technological development by introducing entirely novel fields of technology (computers and biotechnology are recent examples) (Freeman & Louca 2001:123-124). In a similar manner, the exceptionally early easement of serfdom and its influence on the appearance of industrialism in Great Britain is an immense historical example of the effect and interaction of the political system, technology and science. Looking at the economic system, the behaviour of banks and firms, the accumulation of capital, profits etc. are of course decisive factors for economic development in capitalist countries. When considering the impact of literacy and general education, cultural changes are also undeniably decisive for economic development, as well as attitudes towards work, consumption, usury and interest rates. Lastly, the environment, the occurrence of natural resources and their depletion, is of course also fundamental (Freeman & Louca 2001: 125-129).

Social scholars generally agree that technology development and innovations are the central sources of transformations of the economic system (Freeman & Louca 2001: 139). The origin of long waves is consequently mainly due to the irregularity of the pace of technology development. In most cases, the process of scientific and technological development is incremental, but at certain points turns explosive, when so-called “clusters of innovations” cause technological revolutions and consequently the appearance of a new techno-economic paradigm. When these clusters of innovations appear, scientific discoveries have often given rise to entirely new families of products. Other driving forces might be the discovery of new energy sources (i.e. oil, electricity) or materials (i.e. plastics). As the waves are so long, innovations of this kind are pervasive to such a degree that they fundamentally change the system of technology, social organisation and society completely. However, it is worth noting that a technological novelty cannot immediately have an impact on economic development, as new infrastructure, new services and new management systems will be needed to be able to incorporate it. For instance, the electrification that initiated the second industrial revolution (the third Kondratiev wave) needed the construction of the power grid, the education of electricians, an attitude of acceptance from citizens and legislative and political support for the expansion of the technology, before being completely utilised

(Freeman & Louca 2001: 145). In this manner, clusters of innovation initiating a long wave are of such a kind that they impact every aspect of human life. Although the longevity of a technology system is of course far greater than the 50 years of a Kondratiev wave (consider e.g. electricity, railways), since exponential growth cannot be sustained forever, a phase of stagnation occurs before a new techno-economic paradigm eventually becomes dominant.

The usage of the term “wave” rather than “period” or “stage” implies recurring characteristics in every wave. Carlota Perez (1983) has described four phases of a long wave:

1. One factor becomes cheap or easily accessible (e.g. coal, iron, microchip).
2. This factor stimulates the development of new industries (e.g. textiles, cars, computers)
3. New infrastructure gives rise to new organisational innovations (e.g. factory-based manufacturing, computer systems).
4. The new techno-economic paradigm eventually leads to a downswing, which Perez implies is caused by turbulence, triggered by a conflict between old and new industries, due to vested interests. The turbulence is primarily a consequence of a mismatch between the old institutional framework and the new paradigm displayed in structural unemployment and demands for new industrial standards, education, trade protection or free-trade, safety regulations, environmental protection, etc.

Kondratiev waves do not impact all countries similarly or at the same time. Still, global consequences are visible shifts of techno-economic paradigms. In the current paradigm, information technology has enabled a dramatic rise in multinational flows of transactions, interactions and knowledge. Kondratiev waves constitute the basis for the shifts from Fordism to post-Fordism and from the industrial to the knowledge paradigm discussed below.

Nevertheless, it is important to keep in mind that although technological developments act as incentives for organisational restructurings, they are still fundamentally caused by people acting differently.

2.2.2 Fordism and post-Fordism

Fordist capitalism and the Fordist state reigned during the period of the industrial society after the Second World War, and accordingly, Fordism is bound together with the bureaucratic-corporative Keynesian welfare state. The era of Fordism in capitalist countries is characterised by a high rate of growth, mass consumption and production and the expansion of wage labour (in the place of agriculture and craft production). Fordism saw the rise of trade union organisations, standardisation of labour relations in the form of labour unions, and a system for bureaucratic care in the form of the welfare state (Hirsch 1991:67-68). The specific economic aim of the state was full employment, and this was mainly achieved by equalisation policies. Accordingly, regions under Fordism were comprehended as extensions of the state, and regional policy therefore also implied equalisation, that is the location (or relocation) of industry with accompanying expansion of infrastructure as a method of distributing employment and avoiding inflation in overheated regions (Jessop 1993:23). Under the Keynesian welfare system, in a closed national economy, wage was perceived as equal to demand, and consequently, the demand-side management of the Keynesian system legitimised, for example, the collective bargaining of labour unions (Jessop 1993:20). The Keynesian state smoothed out economic fluctuations and thereby secured stable growth, which encouraged firms to invest (Jessop 1991:86). Class relations inside states also changed dramatically and offered workers a continuous improvement of living standards, which eventually resulted in a dramatic enlargement of the middle class and the end of party voting, as discussed above.

The Fordist-Keynesian states arose at the time of the post-war boom, with beliefs of unlimited economic growth and exploitability of natural resources and a strong emphasis on the powers of science and technology (Hirsch 1991:69). The crisis of Fordism in the 1970's and onwards was first and foremost a consequence of insufficient growth of productivity in relation to wages. When stagflation occurred, efforts were made to limit wages, raise taxes and cut spending by reducing the bureaucratic machinery, which gradually weakened the support for the Keynesian welfare state. Halkier (2012:1771) identifies two explanations for this transition: first, there is the semi-functional perspective view, whereby there is a disability of

redistribution to cope with regional inequality in the time of flexible specialisation, to which bottom-up processes through regional learning and experimentation suited all the better. Second, the political perspective view, whereby the influence of neoliberalism and its reduction of public spending (the first wave of New Governance) and the rise of bottom-up development initiatives making use of new policy instruments (the second wave of New Governance) are seen. However, the origin of the shift is undoubtedly complex, and Bob Jessop has accordingly identified a number of characteristics of the shift to Post-Fordism, which can be summarised in five points (1993:11-23).

1. **Growing internationalisation** forces states to realise that the national economies are not closed and that the growth dynamic is not concentrated to the state. The nation is not self-evidently the best place for growth and innovation – instead, the management of the economy becomes a matter of supporting insertion into the global economy. The role of the state is concentrated to supporting the internationalisation of companies, furthering conditions for investments and innovation and managing the process of internationalisation by, for example, getting involved in redefining international economic frameworks. In other words, internationalisation allows firms to escape national control. At the same time, national economic policy in the form of the Keynesian welfare system stopped working, since the demand-side efforts of Keynesianism are misdirected in an open national economy, as the direct link between wage and demand disappears. Instead, in the post-Fordist society, wage is regarded as a production cost, and consequently supply-side interventions are preferred. Similarly, the role of money changes when capital is allowed to flow across borders without control of the state. The national currency is increasingly vulnerable when it is directly dependent on the competitiveness of the nation, which also implies preference to supply-side management. In accordance, we have witnessed the creation of a common European currency during one of the first decades of post-Fordism.

2. **New technologies** gave rise to completely new knowledge and capital intensive industrial sectors that demanded an increased cooperation between firms, science, education, public and private laboratories, venture capital, public financing institutions, etc. In order to keep up with international competition, when production was increasingly overtaken by low-wage states, capitalist economies needed to improve their technological knowledge and specialise in certain growth sectors in order to retain growth. Since national economies are increasingly open to the forces of globalisation, post-Fordist states cannot maintain declining sectors unchanged and instead must support so-called 'sunrise sectors' and restructure declining 'sunset sectors'. The state and/or regional authorities receive a key role in promoting the innovative capacity in order to enable access to innovations and new technologies for as many firms as possible. In post-Fordism, national and regional systems of innovation are at the core of economic development.

3. A **techno-economic paradigm shift** implies a transition from mass production, mass consumption, big science and scale economies to flexible production, systems of innovation, scope economies and sudden alterations in consumer habits. This development demands a capacity for rapid shifts between different innovative products and processes. Under Fordism, production and products were standardised, under post-Fordism, production must be flexible. Policy makers must increasingly focus on the competitiveness of companies, namely supply-side management, and accordingly, welfare becomes subordinate to the flexibility of production.

4. A **shift in the regional forms of global and national economies** refer to the growing importance of 'world regions', namely the supra-national of North America, Europe and Asia, and concurrently, subnational economies. The nation-state, thereby, misses its absolute control over economic development both to subnational regions and transnational bodies, which has a substantial effect on hierarchies, representation and

social platforms. However, as we shall see in the first article of this thesis, the state retains its role as the central executive authority, and is thus able to influence the behaviour of subnational bodies. When looking at the influence of transnational bodies, the national economies of the European Union are perhaps the most illustrating example. The objective of the European Union to become the most competitive economy in the world has boosted an extensive effort to develop regional R&D-structures, and has also allowed the rise of 'Eurofirms' and intensive investments in high-growth sectors. EU policy is the principal stimulator of joint efforts between firms, laboratories and universities around Europe. At the same time, subnational units have become 'nodes' in the global economic network. Similarly, post-Fordism appoints regions as creators of economic regeneration and competitiveness. The emphasis on subnational units is based on a belief in the state's inability to differentiate and be sensitive to regional conditions and difficulties. Thus, many of the activities previously found on the national level are increasingly dealt with in regions, such as labour-market policies, education, technology transfer, innovation systems, etc.

5. Jessop (1993:17-18) has linked the transition from Fordism to post-Fordism with the shift from **the Keynesian welfare state (KWS) to the Schumpeterian workfare state (SWS)**. While the two main features of KWS are to 1) promote full employment through demand-side management and 2) generalisation of mass consumption through welfare rights, SWS wants to 1) promote innovation and structural competitiveness in economic policy and 2) promote the flexibility and competitiveness in social policy. Jessop explains the combination of 'Schumpeter' and 'workfare' with the Schumpeterian emphasis on innovation as central for capitalist growth and the reorientation of social policy away from redistribution towards cost-saving production as described in the concept of workfare. Thus, Jessop sees a development signified by the central role of innovation-driven competitiveness and cost-reduced production as central for contemporary capitalist states. The

economic discourse has changed from being focused on 'productivity' and 'planning' to emphasising 'entrepreneurship' and 'flexibility'. While KWS supports full employment and social rights to the people, SWS promotes structural competitiveness and support for companies rather than the needs of individuals.

2.2.3 From industrial economy to knowledge economy

Along the lines of the shift from Fordism to post-Fordism, since the 1970s we have witnessed a transition from an economy based on industry and manufacturing to one based on knowledge and innovations. The dominant approach to economic development in a knowledge economy is the importance of local assets and endogenous growth, and accordingly, there is strong support for regions, subnational development bodies and proximity in contemporary economic sciences (consider concepts such as *clusters* (Porter 1990), *industrial districts* (Becattini 1990; Brusco 1990), *innovative milieux* (Camagni 1991), *learning regions* (Asheim 1996), *localised learning* (Malmberg & Maskell 2006)). In essence, this implies a focus on relevant institutions and knowledge bases in regions, as well as on the examination and combination of different kinds of knowledge in order to facilitate innovations through cross-fertilisation (Tödttling et al. 2013). Hence, the knowledge economy corresponds to a situation where the use of knowledge has become the cornerstone of production and where different kinds of knowledge are combined in innovative ways. Accordingly, Powell & Snellman define knowledge economy as "production and services based on knowledge-intensive activities that contribute to an accelerated pace of technical and scientific advance, as well as rapid obsolescence" (Powell & Snellman 2004:199).

In a special issue of *European Planning Studies*, Halkier et al. (2012) have demonstrated the extent to which the knowledge economy is existent in contemporary public policy. The previous *industrial paradigm* in policy-making was dominated by central government programmes targeting problem regions and supporting investments in productive capacity (new and old firms). The knowledge impact of policies during this period consisted of an increase in synthetic knowledge (see description of knowledge bases below) through the allocation (or reallocation) of factories to peripheral areas, in other words, the

geographical diffusion of existing knowledge (Halkier 2012: 1769-1770). The *knowledge paradigm* in public policy is distinguishable from the 1980s onwards, where several tiers of government became involved in addition to the national state, as well as actors representing all society sectors. The knowledge paradigm also saw the end of equalisation policies, which were replaced by region-specific measures, supporting indigenous firms by setting up a regional infrastructure for technological and organisational support in the form of advisory services, venture capital and networks of firms in the form of e.g. science parks and creative clusters (Halkier 2012:1770). Public policy did not merely support firms, but also focused on promoting innovation systems by continuous networking between policy bodies and firms, systems and individuals.

Aided by the results of an extensive investigation of 181 Regional Development Agencies (RDA) in 22 EU member countries in 2006/2007, Halkier (2012) is able to present a comprehensive picture of public policy in contemporary Europe. In their policies, almost all of the studied RDAs aim at improving the level of knowledge and the relation between regional actors, which is evident in both central and peripheral regions. As much as 99 % of the policies examined concerned knowledge exploitation, and almost half of the policies had a direct impact on the use of knowledge for economic purposes (Halkier 2012:1774; 1778). Unlike previous policy instruments, which were primarily financial, these consisted of information and organisational structures. Although around 80 % of the analysed policies aimed at synthetic knowledge (manufacturing and business skills), Halkier specifically emphasises the significant position of symbolic knowledge (communication, attraction of inward investments, advice on markets and marketing). Moreover, in the study presented by Halkier (2012:1780), further case studies revealed the importance of an even wider range of knowledge impacts on innovative economic processes, which suggests that synergies between different policy actors are beneficial and should be promoted. Based on the evidence of the mentioned investigation, Halkier is able to state the fact that multilevel governance of bottom-up policy is widely spread in Europe, with networked RDAs sponsored by several levels of government. While innovative economic development is increasingly dependent on a large number of actors, coordinating activities are essential. RDAs in Europe focus heavily on knowledge, demanding detailed

knowledge of firms and regional economic activity. Although policy is often directed to systems of innovation and the training of individuals, the objective is to impact the level of knowledge at firms (Halkier 2012:1779).

The transition from industry to knowledge economy is not only a matter of policies or adaptations to human preferences – it is also driven by a growing sophistication of products. This complexity of products, along with benefits for innovation, is the incentive for exploring and combining different knowledge bases; a matter discussed further in the following chapter.

2.2.4 The importance of knowledge

Perhaps the most significant characteristic of the knowledge paradigm is the ever growing importance of all kinds of knowledge; analytical and symbolic as well as knowledge that has not previously been regarded as directly connected to financial benefits (Halkier 2012:1771). Innovation processes increasingly demand diversified knowledge bases and combinations of different types of knowledge. Previous research has displayed that the relevant knowledge base for many industries is not constricted to one industry sector, but is divided across a whole range of industry branches and technologies (Asheim et al.2011a:14). In public policy-making, Halkier et al. (2012:1764) have acknowledged the fact that knowledge is not sector specific as during the industrial, Fordistic paradigm, but comprises combinations of knowledge. This development implies that even large metropolitan regions find it difficult to host the diversity of knowledge bases required, and as a result, firms experience a need to connect to external knowledge networks and open innovation networks. At the same time, a demand for intensified internal networking is evident, since knowledge flows are increasingly taking place between different types of knowledge bases and levels of R&D intensity. Asheim et al. (2011a:15) offer the example of the input from biotech firms to the production of functional food, a case which the authors believe depicts that “the distributed knowledge networks transcend industries, sectors and common taxonomies of high tech or low tech”.

In the same work, Asheim et al. (2011a:9-12) develop a categorisation of knowledge into *analytical*, *synthetic* and *symbolic*, calling it the *differentiated knowledge base*.

The authors' intention of this re-categorisation of knowledge is the aforementioned complexity of innovation processes, where the high-tech/low-tech dichotomy counteract the combination of different types of knowledge witnessed in current innovation processes, at the same time as the labelling of knowledge as codified or tacit is viewed as too simplistic (Asheim et al. 2011b:1135; see also Johnson et al. 2002). The differentiated knowledge base suggests that tacit and codified knowledge always co-exist in different combinations, while it recognises the potential for innovation in all types of knowledge. Accordingly, the categorisation of knowledge as more or less advanced or sophisticated, and consequently, more or less important for innovation, becomes obsolete (Asheim et al. 2011a: 13). The three knowledge base types described below should be viewed as ideal types, whereas innovation processes in practice often include combinations of these bases (Asheim et al. 2011a:9-12):

1. An *analytical knowledge base* is where scientific knowledge is based on formal models, codification and basic science. Natural sciences, such as biotechnology and nanotechnology, are examples where this knowledge base is strong. Innovations are science-driven and often lead to new patents, while knowledge applications often materialise in entirely new products or processes. Consequently, the innovations are more radical than in the other knowledge types and more often lead to new or spin-off firms. University-industry links are stronger here than in the other knowledge bases and the workforce more often needs university or research experience.
2. A *synthetic knowledge base* is characterised by innovation processes where the application or unique combinations of existing knowledge takes place. Synthetic knowledge is accordingly more focused on applied research than basic research and innovations are often problem-solving and user- and market-driven. Since knowledge frequently originates from the workplace, tacit knowledge is more important and innovations are consequently more incremental than in the analytical knowledge base. There are university-industry links, but these are concentrated to applied R&D, and the workforce is know-how oriented and often provided by polytechnics or on-the-job training.

3. A *symbolic knowledge base* consists of cultural production, such as media, advertising, brands and fashion. The creation of symbols, meaning and desire and the aesthetic value of products through the ability of interpretation of habits and norms in everyday culture are at the centre of this knowledge base. Accordingly, the knowledge base is highly context specific, tacit and very loosely tied to formal qualifications and university training.

A related distinction is derived from two innovation modes; Science, Technology and Innovation (STI) and Doing, Using, Interacting (DUI) (Jensen et al. 2007), where the first is a scientific approach to innovation, leaning on codified and formalised knowledge, while the second is experience-based, leaning on informal and tacit knowledge. Tödtling et. al (2013:161) note that there is general acceptance among scholars that the contemporary process of innovation consists of an open and interactive process, where tacit and codified knowledge are combined, using both the STI and DUI modes of innovation. High-tech as well as low-tech firms have been found to extract knowledge from a large range of sources, making use of all three kinds of knowledge bases. As we also shall see when learning regions are discussed later on, Tödtling et. al (2013:162) identify a recognition among scholars of the impact on innovation processes of different kinds of innovation sources (customers, suppliers, competitors, science) and also the specific geography of the location, i.e. regional, national and/or global circumstances. Malmberg & Maskell (2006:3-4) see advantages of increased interactions within localities, but at the same time raise a note of caution for lock-in occurrences in cluster-dominated localities, when the institutions and the knowledge base are aligned and lock out other options for the local economy. The concepts of *related* and *unrelated variety* are useful for counteracting lock-in, where the first implies cross-fertilisation between related but not similar industrial branches, while the second expresses the need of a locality to house unrelated industry branches to avoid 'putting all the eggs in one basket' (Frenken & Verburg 2007). The concept of related variety has received a lot of attention among scholars during recent years, and is also a cornerstone of the recent Smart Specialisation Strategy of the European Union. The cluster literature (see Porter 1998) suggests that knowledge and the process of innovation is specialised and industry-specific, and consequently relevant

knowledge and ideas solely come from the interaction with partners along the value chain rather than from other branches. Evidently, suppliers (Malmberg & Maskell 2006:5-6) and customers (Callahan & Lasry 2004) are highly important sources of feed-back, but the concept of related variety highlights the possibility for the emergence of new ideas, especially radical ones, when related but not similar industrial branches meet, in contrast to the benefits of specialisation advocated in the cluster literature (see more on related variety in the fourth article of this thesis).

What we have witnessed during the last decades is the increasing emergence of more complex products and services, drawing from a broad range of knowledge bases and industrial branches. Powell & Snellman (2004:201) offer the example of the car industry, where the production of a car has been transformed from pure metal fabrication to involving sophisticated computer technology and knowledge about emissions, safety, entertainment and performance. Another example is the ecommerce company Amazon.com, which obtains knowledge in order to suggest products matching the customer's taste, at the same time as managing a factory-era warehousing system. The same characteristics are visible everywhere, often displaying the reuse and rebranding of proven products and services, using symbolic knowledge to adjust the product or service to the needs and wants of the modern consumer. Starbucks is an example of this, making use of a concept that has been present since the 16th century (cafés), and constructing an entirely new service (an effective and replicable quick-service platform) that is now an integral part of the American society. Twitter is another example, making use of knowledge about contemporary culture to combine pre-existing technologies like SMS, email and blogging and transforming them to an instant micro-blog which has changed the way both people and the media communicate.

Still, perhaps the most striking example of the combination of technological and cultural knowledge during recent years is the iPhone. The mobile phone, in its classic form in the 1980's, was essentially an adaptation of the telephone, which in turn was an adaption of radio technology, the telegraph, etc. During the 1990s, a second generation of mobile phones arrived, much smaller, cheaper and including a range of new features, involving fashion, entertainment and media, which

consequently became an important part of the everyday life of consumers (Goggin 2009:231). In this perspective, the iPhone is merely an adaptation of the cellular phone, a step in the evolution of mobile phones. The iPhone does however constitute a case where the use of culture in technology development has reached a new level. The iPhone essentially intervenes in several genres of contemporary culture, most notably the mobile phone culture, the internet culture, the broader digital culture, the media culture and even the human culture in general (Goggin 2009:231). Laugesen & Yuan (2010) concluded that the success of the iPhone consisted of consumer (demographics, user preferences and culture), corporate (business model, technology, marketing and services providers) and environmental (regulatory, infrastructure) factors. Most important for this line of argument, the iPhone succeeded in targeting 'mainstream America' by using knowledge of user preferences, demographics and culture. Apple had experience of the demographics of the users of the iPod and iTunes and used this when making the iPhone.

What Apple understood was, contrary to the competitors, the benefit of making a smart mobile phone for personal rather than business use, creating applications that have appeal to a wide variety of demographics, while at the same time finding and exploiting cultural niches. Apple noted the preferences of users wanting "uncomplicated" devices with "reach and richness of content" and a "functional internet experience", and accordingly responded to those needs with every new generation of the iPhone (Laugesen & Yuan 2010:93). For example, Apple used the knowledge of user preferences to construct "a simple array of buttons" that simplified the multitude of menus, icons etc. present in other devices. Apple also made use of its knowledge of personal computers to make the Safari browser to create a usable internet experience on a mobile device. Perhaps most significantly, Apple realised the growing importance of software rather than hardware, and consequently launched its App store, which presented the consumer with a diversity of entertainment and business applications (Laugesen & Yuan 2010:94). Additionally, Apple has combined its product with a very successful marketing and branding strategy, giving the launch of the iPhone a revolutionary status rather than the evolution of the mobile phone that it actually was. Apple branded the launch in 2007 "the biggest launch since Apollo", even staging long lines of

customers around the world to receive the maximum amount of attention (Goggin 2009:236). The marketing and branding made the iPhone a status symbol for users and, together with other Apple products, created an “extremely loyal customer base” (Laugesen & Yuan 2010:94). In conclusion, in iPhone we see the use of a range of different kinds of knowledge, with technology being merely one of many parts. Cultural knowledge, the knowledge of cultural production in all forms and the manner in which consumers perceive and interpret it, is definitely a central type of knowledge for the construction of the iPhone.

Paradoxically, the shift from demand-side to supply-side investments that followed the transition from the Fordistic to the post-Fordistic economy has given rise to a seemingly ever more important culture of consumption. For instance, we see companies using strategies to create a need among consumers to obtain the latest version of a particular product as decisive for growth. As seen with the iPhone case, knowledge of youth culture, or ‘hipster’ culture, is at the core of product and services development. This is perhaps best illustrated through the rise and fall of the mobile phone giant Nokia, whose products were technically excellent, but in contrast to Apple, Nokia failed at achieving the cultural element in its products. Nokia was excellent at developing innovations, for instance constructing an internet tablet already in 2001, but failed at bringing it to the market, reaching consumers and responding to and influencing youth culture (see Cord 2014). What we witness here is a ‘culturification’ of products, where services and products are constructed by identifying demands among youth culture, and these services later reach other social categories. Digital services is the most notable example here, where companies such as Facebook, WhatsApp and the gaming industry have a turnover of billions, and compared to traditional manufacturing industry, housing very few employees.

2.2.5 Learning regions

As we have seen, and as numerous regional scholars, economic geographers, and policy makers have concluded, innovation and knowledge-transforming capabilities have turned out to be the focal point of economic development in the post-Fordistic era. In accordance with the importance of knowledge combinations described above, Halkier et al. have identified “white spaces” between different

sectors as especially promising areas for innovative combinatorial projects (Halkier et al. 2012:1764). This typifies the increasing need of cooperation and networking between firms, universities, R&D units and public coordinating organisations.

The transition from government to governance described earlier in this thesis is, of course, extremely relevant in the economic field as for politics and democracy. Actually, the transition is partly explained by changes in economic strategy, for instance by the shift of emphasis from National Innovation Systems (NIS) to Regional Innovation Systems (RIS) witnessed during the last two decades (see e.g. Tödtling et al. 2013). Bob Jessop recognises a shift from government to governance also at the regional level, describing it as the reorganisation of local states, when new forms of partnerships form in order to direct and encourage the development of local resources: “local unions, local chambers of commerce, local venture capital, local education bodies, local research centres and local states may enter into arrangements to generate the local economy” (Jessop 1994:272). These kinds of regional development coalitions are precisely what form the basis for what has popularly been described as the *learning region* (Asheim 2001). Over the years, the knowledge economy concept has been used interchangeably with learning economy (see e.g. Lundvall 1996), and accordingly, the concept of learning region refers to the knowledge economy paradigm and the use of knowledge. The reasons for the emergence of more active regions has already been dealt with above, but can in economic terms be described as a shift in international trade relations, from advantages on the basis of inexpensive production factors (labour, raw material etc.) to advantages relying on knowledge and innovations making more productive and efficient use of inputs (Asheim 2001:2). The concept of learning has endured criticism over the years, especially regarding the fact that firms have always been learning (Hudson 1999), but earlier, innovation was of significance mainly for inter-firm competition, while the concept of learning regions refers to a larger qualitative shift of the development of capitalist economies (Asheim 2001:2).

Learning region was coined as a concept in the 1990s for the purpose of raising awareness about the importance of the locality. Asheim (2001:3) has gathered a number of definitions of this concept: according to Richard Florida (1995:527),

learning regions are “collectors and repositories of knowledge and ideas, and provide an underlying environment or infrastructure which facilitates the flow of knowledge, ideas and learning”, while Hassink (1998:6) sees them as “regional development concepts in which the main actors are strongly, but flexibly connected with each other and in which both interregional and intraregional learning is emphasised”. The Swedish EU Programme Office perceives learning regions as able to “initiate and provide the basis for co-operation between enterprises in regions, local public bodies, organisations and other interest groups (National Institute for Working Life 1997:1)”. A closely related concept is *localised learning*, which refers to the manner in which local conditions and spatial proximity are able to support regional economic development (Malmberg & Maskell 2006). Localised learning was originally a response to claims in the 1990s of the ‘end of geography’, due to the advancement of communication technologies, in particular, but also to the improvement of transportation and the erosion of trade barriers. These occurrences are, of course, undisputable, and although several production factors have become ubiquitous due to globalisation, by constructing the concept localised learning, theorists wanted to point out the factors that resisted this “ubiquitification process” (Malmberg & Maskell 2006:3). These factors, it was concluded, consisted first of *the institutional setup* and second of *the knowledge base* in respective locality. The knowledge base consists of the knowledge inherent in firms, educational organisations and different R&D organisations, and this knowledge base, similarly to the institutions, develops over time. Institutions in this regard are “humanly devised constrains that structure human interaction. They are made up of formal constrains (e.g. rules, laws constitutions), informal constrains (e.g. norms of behaviour, conventions, self-imposed codes and conduct), and their enforcement characteristics. Together they define the incentive structure of societies and specifically economies” (North 1994:360). These institutions form over time as a consequence of political choices, but also as a response and adaptation to the activity of firms.

Amin and Thrift investigated “the real prospects for self-governed development paths in an era of global interdependency” (Amin & Thrift 1994: 1) and similarly arrived at a decisive importance of the institutional structure. The authors developed the concept *institutional thickness*, which comprises of

“the presence of many institutions; inter-institutional interaction; a culture of collective representation; identification with common industrial purpose; and shared norms and values which serve to constitute the ‘social atmosphere’ of a particular locality. Thus institutions were broadly conceived to include not only formal organizations, but also more informal conventions, habits and routines that are sustained over time and through space. Similarly ‘thickness’ is conceived to stress the strong presence of both institutions and institutionalizing processes, combining to constitute a framework of collective support for individual agents. Implicit to the argument was also the tacit stress on the inclusive nature of such collective support, reaching out to and involving the majority of individuals and groupings in the local economy” (Amin & Thrift 1995, p 104).

Thus, the specific characteristics of a region receive ever-growing importance in the globalised world. Learning regions are able to prosper on the basis of endogenous growth, and in that way achieve positive economic development without grabbing this opportunity from competing regions. According to these theories, every region, despite prerequisites, is able to maintain and develop its economic structure. The AsPIRE research project, described in Kahila et. al (2007), compared successful peripheral regions with unsuccessful central regions in 12 case regions in six European countries (Greece, Scotland, Spain, Ireland, Germany and Finland). Based on their accessibility, the central regions would have been expected to be more successful, and Kahila et al. singled out the governance system as the decisive factor for improving the success of the peripheral regions. Kahila et al. also state that a contrast between the two groups could be found “in terms of the willingness of the actors to co-ordinate their activities, and to adapt generic programmes/measures to local geographic constraints or opportunities” (Kahila, Lakso, Suutari 2006 p. 51).

Connectedness thereby seems to matter. In this respect, Malmberg & Maskell (2006:5-8) divide regional economic interaction into three categories: vertical, horizontal and social dimensions. *The vertical dimension* has traditionally been dominant in empirical analyses and implies the interactions firms maintain with

supplier and customer firms, as well as industry-academia links. *The horizontal dimension* corresponds to firms acting as competitors rather than collaborators, and accordingly involve observing and comparing activities (although the concept of *co-opetition* suggests possibilities for cooperation also with competitors, see e.g. Nalebuff & Brandenburger (1996)). *The social dimension* refers to “neighbourhood effects”, which Malmberg & Maskell describe as “local social interaction” and “conversion through conversation”. This involves “the information and communication ecology created by numerous face-to face contacts”, “intended and unanticipated learning processes in organised and accidental meetings”, and as a consequence of these activities, there are “lots of piquant and useful things going on simultaneously ... and therefore, lots of inspiration and information to receive for the perceptive local actor” (Malmberg & Maskell 2006:7). The localised learning argument is consequently the strengthening effect of spatial proximity on cognitive proximity, i.e. proximity bringing different actors together by developing a common institutional, social and cultural setting ((Malmberg & Maskell 2006:9). A parallel concept to the social dimension is the creative class concept of Richard Florida (2002). Florida predicted the decline of the attraction of suburbs on behalf of urban centres, as a consequence of the creative class pursuing living environments on the basis of the “people climate” a locality maintain, in other words, areas where inspiring things happen, people meet, interact and exchange experience, in contrary to the low-density, auto-oriented suburban sprawl. As we saw in the previous chapter, the co-development of the institutional structure and the knowledge base easily increase specialisation with a risk of lock-in, and therefore related variety is a reasonable strategy of development for any region. However, given that knowledge spill-over is better facilitated in connected localities, this often entails incremental innovations, and consequently, extra-local links are essential for the possibility of non-incremental innovations. Malmberg & Maskell (2006:10) refer to these links as “pipelines” and regard them as more static than the interaction and exchange going on inside localities. Since a potential extra-local partner suitable to specific needs must be found, the level of information exchange must be decided etc.

As Malmberg & Maskell suggest, a sustainable locality in the post- Fordistic globalised economy should be connected both inwards and outwards. This

perception is also supported by the concepts of the *Quadruple Helix* and the *Mode 3 Knowledge Production System*, which suggest comprehensive society inclusion and connectedness both within the locality and to knowledge hubs around the world. By expanding the Triple Helix concept for innovation systems to a Quadruple Helix, Carayannis & Campbell add civil society and a “media-based and culture-based public” as a helix in the innovation system (Carayannis & Campbell 2009:206-207). The general idea of the Quadruple Helix is that civil society and the public are users and appliers of knowledge and are thereby thought to contribute with region-specific context and experiences. Accordingly, the Quadruple Helix implies a broader understanding of developing innovations, involving culture, arts, media, values and lifestyle. These factors, also including the manner in which media construct public reality, are expected to influence the creative environment in a specific region and, in turn, the innovation system (Carayannis & Campbell 2012:15). Carayannis & Campbell combine the Quadruple Helix with the Mode 3 Knowledge Production System (Carayannis & Campbell 2006), a concept which basically implies a combination of the infusion of external knowledge and an intense collaboration between research units, firms and public agencies, where basic, applied and experimental research as well as analytical, synthetic and symbolic knowledge are combined (for a more thorough description of these concepts, see Article 4).

2.2.6 Summary

In summary, long economic waves, such as Kondratiev waves, reveal the paradigmatic shifts science and knowledge give rise to, causing fundamental alterations of the organisational factors of society. The shift that has been of particular interest in this thesis is the third industrial revolution and the transition from Fordism to post-Fordism. In economic terms, Fordism focused on big science and rather static mass production, while post-Fordism is characterised by flexible production and continuous innovative development. In the post-Fordistic world, knowledge is the fundament of economic development, and this circumstance emphasises the importance of locality, social inclusion and connectedness, both inward and outward. Modern innovation systems greatly rely

on detailed knowledge of the region and the firms, a fact that underlines the significance of a bottom-up approach to regional development.

The case of the iPhone highlights the complexity of contemporary products and services (to a larger extent, the iPhone is actually marketed as a service rather than a product), a fact that basically advocates for the necessity of a differentiated local knowledge base with external connections, and at the same time, the complexity illustrates the possibilities for the innovations that such knowledge combinations constitute. Networking, connections and influences of extra-regional actors are essential in order to receive new notions, but these innovations must always be applied in consideration of and interaction with local knowledge, experiences and culture. Halkier et al. (2012:1765) too conclude that policy-making must be based on local circumstances rather than being copied from successful regions. Here, we approach the concept of learning already assessed in the paragraph of New Governance above. The benefit of interactions leading to chance cross-fertilisations between industry branches is apparent in the innovation literature, and at the same time, the impact of the specificities of the localities are emphasised.

In a globalised economy, consumers and investors are expected to have access to more choices and better deals, while independent regional producers are in a dominant position. Still, we have witnessed the continued and even growing importance of “too big to fail” companies. Looking from a bottom-up perspective, local and regional authorities may aim at attracting external investments and establishments, an option which obviously is beneficial for the local community in the event of success. However, when writing about Finnish conditions, the rise and fall of Nokia is of course close at hand when discussing “too big to fail” companies. Nokia was supreme in the mobile phone industry, even being one of the strongest brands in the world for several years. Still, in the rapidly shifting post-fordistic economy, success is elusive, and the Finnish economy continues to suffer from the downfall of the ICT sector. Moreover, in the third article in this thesis, the shutdown of the pulp factory Metsä-Botnia is described as the result of the decision of a distant company management, without consideration of the local community. The argument presented in this thesis, which is based on empirical material from a small peripheral region, consist of the notion that local communities cannot wait

around for or rely on external investments, but need to by themselves create favourable conditions for endogen development.

2.3 Conclusions: the megatrends of democracy and economy

We have been studying nine megatrends of society during the last century; five of which involve shifts in the view of democracy and governance, while four concern economic circumstances (see Table 3). These trends are fundamental when trying to understand the shift of the governance system we have witnessed during the last decades. It is important to accept the fact that this development is the result of the consequences of a changing world, changes that no-one has control over. To be explicit: the changes during for example the last few decades are not merely the effects of political decisions or ideology, rather, they are the result of changing circumstances that policymakers have responded to. We have seen the introduction of more flexible and participative forms of governance, which accordingly should be regarded as logical adaptations to changing circumstances. The manner in which such participation is conducted and legitimised is, however, a political matter. Regarding governance, we have witnessed both neoliberal and neo-institutional responses.

Historicism	Modernism		Post-Modernism
	Centrism		Pluri-centrism
	Liberal Democracy		Post-liberal Democracy
Parliamentary Democracy	Parties Democracy		Audience Democracy
	Government		New Governance
First industrial revolution	Second industrial revolution		Third industrial revolution
		Fordism	Post-Fordism
		Keynesian Welfare State	Schumpeterian Workfare State
	Industry Economy Paradigm		Knowledge Economy Paradigm

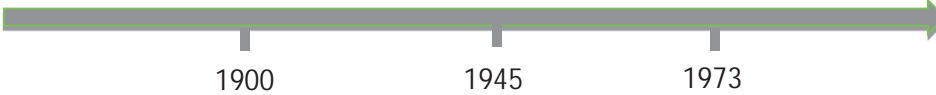


Table 3. *The megatrends of Western society. The time periods are approximate since the trends to some extent overlap.*

When looking at the megatrends, the intertwining of the development of the system of governance and the development of the economic system is also obvious,

and it is therefore difficult to look at one system and not pay attention to changes in the other. The transitions described in the societies concerned are apparent and universal to such an extent that one cannot help wondering if there is a common denominator behind these shifts. One answer to this question has already been presented above in the impact of the Kondratiev waves, which originate from “clusters of innovation” and gradually influence other systems in society. In this view, technology and innovations form the environment, the limits of life for human beings, to which social organisation adapts. However, commodities and gadgets do not alone form the conditions of human life, rather, the impact of knowledge and rationality has also been described in this thesis as having a fundamental effect on human behaviour. Similarly, in their book “Reflexive Modernization”, Beck, Giddens and Lash (Beck et. al 1994) present the argument that society is becoming increasingly self-aware and reflective, a development which at the individual level implies people more and more shaping their own norms, desires, tastes and political views, rather than allowing the society to form these values. Here, the impact of knowledge, education, and the rationality of modernity is apparent. Looking at politics and participation, a reflexive person is not likely to settle with merely voting for a political party, especially when the complexity of society makes the agenda of parties increasingly inexplicit and fuzzy, as explained in the section on audience democracy.

As discussed above, the shift from centrism to pluricentrism strongly imply that the nation-state is not any longer the natural demos, a matter which is certainly also intertwined with the regionalisation of economic development. The open markets of the globalised order force nation-states to execute supply-side rather than demand-side investments, in order to aid the companies in producing competitive products, which also motivates permitting bottom-up processes and self-governing networks. Demand-side investments, for the purpose of ensuring the purchasing power of citizens by relocating industries for instance, did not require local knowledge in its time, since the particular work of production was supposed to be the same wherever it happened to be performed. Now, when innovations and their development are so strongly emphasised in economic literature, being presented as the dominant factor for achieving positive economic development and competitiveness, and when the development of innovations is

said to be best facilitated in regional innovation systems through networking and interactions, detailed knowledge of the locality and the specific firms becomes fundamental. In this way, regional institutions and knowledge bases form the foundation for economic development, which in turn stresses the great importance of connectedness, collective support and inclusion, and consequently, these characteristics could in a way be said to compose the fabric of the post-Fordistic society. Following this reasoning, the development of a regional development policy must naturally involve local actors and local knowledge. In order to make use of knowledge according to local circumstances, the different concepts of learning that have been discussed earlier are important.

As we have seen, there is an abundance of post-liberal democratic theories, which all suggest a withdrawal of the state-centric, hierarchic perspective, but to different lengths. Looking at the implemented reforms, this thesis argues that a discrepancy exists between the liberal democratic government institutions and the post-liberal reality. The role of the nation-state during the last two or three decades has evidently altered considerably. Jessop (1993) describes this development as a threefold “hollowing out of the state”, where state capacities are transferred upwards to international bodies, downwards to regional and local bodies within the state, and outwards to different regional networks. Even though this transformation is evident, it does not necessarily correspond to an actual decline of the power of the state. Sørensen (2012:515), referring to Jessop and others, argues for a reinterpretation of the role of the state, where its power is retained but where it has given up its sovereign forms of rule. In its place, the state should govern society through different forms of governance, through the regulation of freedoms, or in the vocabulary of governance theorists, through metagovernance. Sørensen, as well as other metagovernance advocates, recognise the inevitability of governance networks, and consequently present metagovernance as the system by which the liberal system of democracy is able to control the governance networks and grant them legitimacy (see Figure 1).

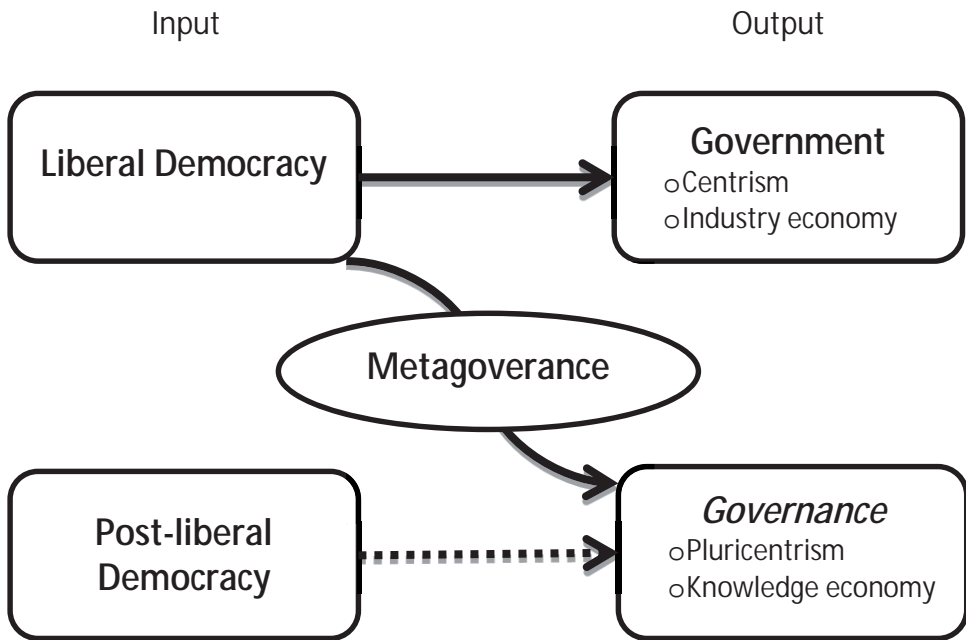


Figure 1. Metagovernance bridges liberal democracy and governance networks.

The concept of metagovernance implies the use of a diverse box of tools, by which the post-liberal ideals of participation, self-governance, etc., are acknowledged to various extents. Thus, the use of metagovernance looks differently at different locations and times, and its democratic qualities are thereby not possible to assess generally. However, metagovernance does add a link of control over governance networks; whether this rather indirect link of legitimacy contributes to democracy is a matter that should be up for debate. Again, more radical post-liberal theorists on the other hand imply that stakeholder participation and publicity is sufficient for achieving legitimacy.

2.3.1 Reinventing the Third Way

Classical and liberal democracy were formed to match the societies of the particular place and time where they were constructed. At present, we are still in the midst of a transition from liberal democracy to whatever might follow. Incremental adaptations, such as governance networks, are already visible. Following the theoretical narrative above, the demand for this change is mainly caused by pluricentrism and the increased complexity of society; factors making it

increasingly difficult for both politicians and civil servants to understand the specificities of issues and localities in order to make the best and most efficient decisions. As an illustration of this point, consider the literature of traditional liberal democracy, where the argument of efficiency is often used against increased participation. Nevertheless, this is precisely the same argument that is used by post-liberal theorists for decentralising decision-making and increasing participation. Here, the argument is about the quality of decisions rather than whether decisions are taken at all. Bad decisions, in bad compliance with local circumstances and the preferences of people, are also viewed as endangering the legitimacy of the government, causing apathy among people and even contempt for politics and politicians. In liberal democracy, the government is separated from society and the people do not have a constitutional role to play. In the post-liberal tradition, 'the stakeholder', the person claiming moral or economic interest in a particular public decision-making process, is suddenly equated to 'the citizen', and this certainly constitutes a paradigmatic shift in democratic theory.

A central question in this thesis concerns the interplay between the economy and politics. Specifically, the thesis questions the part politics should play in influencing the economy and economic development, as well as the manner whereby politics is able to fulfil this. Under the Keynesian Welfare System this was pretty simple – economic policy emanated from the state government and trickled down in the hierarchy to the local level in the form of demand-side investments: redistribution of income and of industries as well as the diffusion of 'big science'. Under the Schumpeterian Workfare State on the other hand, the influence of politics is fuzzier. Most obviously, SWS implies supply-side investments, offering services and funding to companies who essentially receive a more influential position with larger degrees of freedom. SWS puts innovation at the centre of economic development, and consequently, the innovation system is the arena where the economic, political and knowledge systems meet and interact for the benefit of the development of society. The concept of the Triple Helix is the core of this model, with the government, knowledge organisations and companies interacting for the purpose of achieving successful economic development. In this way, politics, or the fashion in which politics direct economic development, is diffused into networks where the government is merely one of the actors. Central control is however

maintained through project funding, for which the state government, as well as supranational bodies such as the European Union, produce economic policies in the form of development programmes, which determine certain objectives later used in the granting of funding.

Notions of new forms of participation and absorptive processes, such as different concepts of participative democracy, governance networks, quadruple helixes, learning regions as well as transnational, social, and policy learning activities, indicate that economic policy take place and increasingly will take place locally and regionally, through networks in the vicinity of users and stakeholders. Following this reasoning, the reinvented Third Way is not a model directing the future – rather, it is the identification of trends in society to which political decisions will eventually respond. Along the lines of the theoretical narrative above, the reinvented Third Way suggests that the localisation of politics may be beneficial both democratically and economically, and consequently, allow room for local and regional processes to manoeuvre. Whether this should be done through metagovernance or through more radical post-liberal solutions is an issue that should be on the top of the agenda in all western societies. However, these are only theoretical assumptions. In the following we will look at actual experiences of such processes.

3. The Case of Ostrobothnia

The case studies presented later on in this thesis illustrate the incompatibility between the state-centric model and the post-Fordistic society. The object of study is the country of Finland and in particular the region of Ostrobothnia on the west coast of Finland. The characteristics of Ostrobothnia will be described later on, but concisely put, Ostrobothnia is a sparsely populated, small and peripheral region with a rather differentiated and export-oriented industry. In his creative class narrative (Florida 2002), Richard Florida emphasise the importance of utilising the creative potential of every person for the benefit of economic development. Florida analyses dense metropolitan areas and the benefit of achieving interactions, meeting places and a good “people climate” in such regions, and that suburban car-oriented regions are not able to produce such vibrant circumstances. In my view, the necessity of utilising the creative potential of people in peripheral areas such as Ostrobothnia is all the greater – in an age where regional equalisation policies are outdated it might actually be the only way – and combined with global knowledge pipelines, the possibilities for achieving dynamic environments are present also at such locations.

Bevir (2010:81-82) notes that in a centric and unitary state, such as Finland, the governance concept might be especially controversial, in contrast to federal and more decentralised countries. Governance occurs through what Bevir refers to as the differentiated polity, i.e. interdependent governments, organisations, departments and agencies, and this is obviously in sharp contrast to the characteristics of the unitary state with its “identifiable polity that has clear boundaries within which law is formed by sovereign will” (Bevir 2010:82). The presence of governance networks has been demonstrated in Finland by for instance Hiironiemi (2005), who states that “traditional administration gradually transforms into the control of external and internal networks”. Similar to the interpretation of metagovernance in this thesis, Bevir (2010:82) concludes that the Anglo-governance school identifies financial control, negotiation and audits as methods for the state to steer governance networks. Although governance is said to be a controversial concept in unitary states, Peters (2010:40) sees Northern

Europe and especially Scandinavia and the Low Countries as the heartland of governance. A question to consider is whether the reason for this is to be found in a great necessity of flexible and locally connected governance processes.

In order to shed light on the developments described above, Finland and Ostrobothnia are an excellent case. Traditionally strong municipalities and a weak regional level has given rise to customs of localism rather than political regionalism and consequently a strong presence of actors outside the politico-administrative system in regional development in Finland (Virkkala 2008:119). Ostrobothnia is only slightly below the median size of regions in Finland and is situated well outside the metropolitan area in the south of Finland, where the concept of 'region' is very different from the rest of Finland. The industry in Ostrobothnia is differentiated, housing the whole range from high-tech to low-tech companies, a high amount of SME's and a few large companies fuelling R & D. The region also houses both urban sparsely-populated areas as well as larger urban centres. The region has through history been ruled by Swedes, Russians and Finns, and its bilingualism has helped to maintain connections both nationally and internationally. All these characteristics suggest that Ostrobothnia is an interesting case, a networking region in a traditionally unitary state, making use of local and international knowledge, where there is a need for cooperation between small rural municipalities, towns, cities and language groups.

This chapter will firstly describe the evolution of the administrative system and the vertical distribution of power in Finland, secondly, the economic system in Finland, especially focusing on the system of innovation, and thirdly, a description of the characteristics of the region of Ostrobothnia.

3.1 The evolution of the Finnish regional administration system

The system of governance and administration in Finland is closely related to the Scandinavian countries, which implies a strong unitary state with total responsibility and power as a public authority. However, local self-governance with municipalities performing a range of services has its roots in medieval times (Rose 1996:1). After Finland and Sweden were split up in 1809, Finland kept its municipal structure based on parishes, and consequently, the local governance has traditionally been structured upon a large number of small municipalities (over 600 in the 1930s) with an average size of about 6000 inhabitants in the early 1900s (Source: Statistics Finland). Finland received its first municipal legislation in 1865, which was to a large extent a copy of the corresponding legislation enacted in Sweden a few years earlier (Prättälä 2012:190). The most significant difference to Sweden was, however, the fact that a self-governing regional level was never introduced in Finland, and this differentiates Finland also from all the other Scandinavian countries. Instead, the regional level in Finland has traditionally consisted of state Provincial Offices, which have traditionally been in charge of regional development, among other things. During the post-war period, the role of the municipalities increased significantly in the construction of *the Nordic welfare state*, which resulted in an expansion of municipal welfare services to such a degree that in 1993, as much as 65 % of public consumption was municipal (Rose 1996:2). The municipalities are to date responsible for most basic services, such as social and health-care services, technical and environmental infrastructure services, culture and education. Joint municipal boards have been permitted for municipalities to arrange common services since the 1930s, and gradually some of these have also become mandatory. Regional planning offices were one of the first examples, assuming the responsibility for land-use planning in 1958 (Westerlund 1989). The joint municipal boards are joint organisations of two or more municipalities, which basically imply an indirect accountability, since the joint boards are not directly elected by the citizens. This circumstance is problematic, but has been viewed as the only possible compromise in the political landscape in Finland, since self-governing regions are stopped by the city-centred parties and large-scale mergers are hindered by rural parties. Additionally, the municipal

legislation prevents forced municipal mergers (Prättälä 2012:190). The joint municipal boards are generally one-task organisations, performing social and health-care services, vocational education, culture, planning, etc.

Local and regional administration experienced a considerable transformation in the 1990s, when first, New Public Management ideas, and second, participative forms of governance gained traction (compare first and second waves of New Governance). Globalisation stressed the importance of efficiency in service production, and at the same time, a European Union membership became topical. Consequently, the Regional Councils were formed as joint municipal boards by basically extending the regional planning offices with the responsibility for regional development, a duty transferred from the state Provincial Offices. In this way, the responsibility of local governance was generally expanded in the 1990s. Today, sequent to another major regional reformation in 2010, the regional level is governed by two state regional organisations (ELY-centre and AVI) along with the Regional Councils. Regional development is in practice divided between the Centre for Economic Development, Transport and the Environment (ELY-centre) which is in charge of funding and implementation, and the Regional Councils, which write the Regional Development Programme of the region. This programme should, according to legislation, be leading development at the regional level, but as Article 2 illustrates, the authority of the programme is questionable.

As Article 1 depicts, centralisation has increased in Finland during the last decade, especially regarding municipalities, where statutory duties have increased significantly (see Hirronniemi 2013:27). Looking at funding, some national development programmes have been abolished or limited during recent years, in part as a consequence of the financial crisis, and forthcoming municipal and service mergers strongly follow the logic of centralisation. Thus, to an increasing extent, regional mobilisation and bottom-up processes are facilitated through the funding of the European Union, namely LEADER and the structural funds. These funds support governance networks through project funding, of which the Local Action Groups of the LEADER programme are a terrific example. Looking at the possibilities for participation according to the logic of New Governance theory, the development programmes mentioned above are essential. Moreover, Regional

Councils offer other examples, such as the process of writing the Regional Development programme depicted in Article 2, or the Regional Cooperation Group, consisting of equal thirds of public, private and voluntary representatives. Regional development companies have been funded through both municipal and state backing to support subregional business development, and these agencies withhold a dialogue with a wide range of regional actors, both private and public, in order to jointly establish a direction of development. Deliberative practices have also been introduced as forums in public administration, through citizen juries, etc. Bäcklund & Mäntysalo (2010) show, in their sample of five cities, that all offer possibilities for citizen participation, and the authors conclude that this ideal has had an influence on the system of governance in Finland. However, the authors find a discrepancy between the representative system and the participative practices, displayed in a confusion of how to integrate these new practices in the old system, how the input of citizens should be handled and evaluated, and also who is entitled to evaluate it, even resulting in a single civil servant deciding if the input is relevant (Bäcklund & Mäntysaari 2010:347). Thus, the dominance of aggregative democracy can be said to hinder the more integrative practices of participation, which illustrates the rigidity and path dependency of the democratic system, as well as the incompatibility between participation and liberal democracy.

3.2 The evolution of the Finnish economic system

Ever since Finnish independence in 1917, the aim of the state government has been the diversification of the Finnish economy. Early on, the state expanded its role in the economy, starting with the acquisition of the Norwegian forest industry corporation Gutzeit Ltd. in the 1920s (Lilja et al. 2009:59). Following such a path, the Finnish government established state-driven businesses in a few core branches, such as forestry and engineering. After the Second World War, heavy investments in infrastructure and public service supported a rapid industrialisation of the country, where a growing welfare state also allowed women to participate in working life. Due to a lack of venture capital in Finland, the Finnish banks received

a significant position early on, since loans were often converted to shares in the companies. In this way, the Finnish economy was one of the most advanced forms of risk sharing systems, with banks, the state government and the local communities providing financial capital in order for large companies, in particular, to advance their technology (Kristensen 2009:303). In this way, a few core branches, especially the forest and metal industry, paved the way for rapid economic growth during the 1970s and 1980s. This centralised strategy allowed many of the companies, one of them being Nokia, to diversify their activities and in this way diversify the whole economy. However, the strategy of supporting the growth of these large companies involved periodical currency devaluations, a measure which hindered the growth of small- and medium-sized companies (SMEs) (Lilja et al. 2009:57). The dependence of just a few branches, along with a large proportion of export going to the Soviet Union, caused a deep economic crisis in the early 1990s. This crisis may be regarded as the end of Fordism in Finland, especially regarding the reliance on top-down 'big science'.

Thus, the 1990s brought a fundamental restructuring of the Finnish business system, causing banks to crash and end their dominant position in the economy. Generally, the economy was opened to globalisation, for instance by the abolishment of legislation hindering foreign ownership of Finnish-based companies, and since the share prices were very low due to the recession, foreign capital poured in, enabling new company investments. Central coordination between all sectors ended, and the role of the government changed significantly, as the state privatised its ownership in companies, stopped providing subsidies to companies and focused instead on advancing R&D. Here, we saw the introduction of the Finnish National Innovation System (NIS), which basically implies decentralised participation, while remaining centrally coordinated. This was the new 'national project', where companies and the government joined forces to counteract the economic recession. Globalisation raised the stakes for companies since radical innovations were needed more frequently to remain competitive, and for this, the R&D investment strategy suited all the better. Thus, three systems of the economy were restructured in the 1990s: first, we saw the end of the national bank-based financial system and the start of an open financial market based system, second, successful globalisation of many Finland-based companies and

third, the alteration of state intervention in the economy, towards privatisation and indirect support to the industry through NIS (Lilja et al 2009:62). This is an economic system that has left the Fordist era while still maintaining central coordination.

The NIS concept originates from the OECD committee for technology and innovation policy, who in the end of 1980s and beginning of the 1990s searched for a descriptive R&D policy model to present as advice to OECD member countries, building on the growth industries of the time, ICT and biotechnology, and the manner in which knowledge was created in universities and later diffused to firms in these industries. Mariussen (2006) views the NIS approach as non-academic, purely using the economic perspective and comprehending firms as black boxes and accordingly as purely rational actors. Mariussen contrasts NIS to National Business System theory (NBS), which regards “patterns of innovation as being determined by dominating forms of firm organisation, explained by nationally specific cultures of risk taking and risk sharing” (Mariussen 2006:223). Thus, the NIS may be regarded as being related to rational choice theory, while the NBS view is that the rationality of actors is dependent on the context, a notion building on institutionalism. Accordingly, the NBS explains variations of innovation patterns in different economies with institutional differences. Lilja et al. (2009:61) present the Finnish NIS as a funding scheme consisting of four elements:

1. “A cluster-based strategy for concentrating and upgrading competences” was launched, where existing or potential industrial clusters were sought that could become the basis for the renewal of the economy. Existing knowledge interacting with new technology was expected to enhance competences of clusters.
2. The funding of R&D should be raised from 2 to 3 % of GDP, an objective fulfilled in less than a half decade with the aid of both state and company funding.
3. A major reform of tertiary education resulted in 29 education institutes, receiving status of universities of applied sciences/polytechnics at 80 different locations. These new education units were able to grant

Bachelor's degrees as well as act as central institutions for regional development, and in that manner diffuse knowledge and technology to localities in respective regions.

4. New national funding programmes were introduced, such as the Centre for Expertise Programme (OSKE) introduced in 1994, encouraging firms, universities, polytechnics and research institutes to form networks of R&D, thereby constituting regionally relevant competence concentrations.

The characteristics of the Finnish NIS are consequently based on the logic of central coordination and knowledge diffusion, but the reinforcement of rather autonomous regional education organisations also facilitated bottom-up processes of knowledge creation. Mariussen (2006:230) describes the Finnish business system as highly transformative, due to its ability to turn around the economy in the 1990s by adapting to new demands without being restricted by old industrial traditions. The success of the Finnish NIS was the dynamic adaptability of a coordinated economy and “inter-sector coordination, where technology and innovation policy was paradigmatic” (Mariussen 2006:230).

Until the year 2000, adaption to globalisation was thus implemented mostly through centralised initiatives, but gradually after the turn of the century, decentralised path creation was allowed. Different branches, such as the booming ITC sector with Nokia as the flagship, were able to change the rules of the game within its sector (Lilja et al 2009:66). The Finnish NIS was updated by identifying strategic concentration areas in research and development, as in the case of OSKE and the consecutive Innovative Cities Programme (INKA, introduced in 2013), which have both assigned different competences to urban regions around the country. TEKES, the state R&D funding agency offered funding for research projects requiring the participation of both universities and companies. In 2008, a new Finnish national innovation strategy was launched, which introduced more user and employee-driven innovation processes (Lilja et al. 2009:93). Along with EU funding and other national funding programmes, “collective network-based actor identities across sectors and types of actors at the local and the regional levels” were created (Lilja et al. 2009:92). Looking at companies, experimenting with organisational practices had become common within the metal, engineering

and electronic industries. Foreign multinational companies, as well as national ones, allowed local actors to suggest bottom-up processes for improving their role in customer relationships, among other things (Lilja et al. 2009:92). Thus, we witness a general realisation both in the private and the public sector of the importance of looking for opportunities for development on multiple levels. This could also be described as an acceptance that radical innovations are best facilitated in a setting characterised by the open innovation paradigm, a theoretical model introduced by Chesbrough in 2003 (Chesbrough, H.W. 2003), suggesting developing innovation through collaboration with people outside the organisation, including customers, vendors, and competitors. Thus, during the first decade of the new century, the Finnish national business system in Finland to some extent shifted from central coordination to decentralised experimentation occurring on all levels and demanding both vertical and horizontal synchronisation (Lilja et al. 2009:67). The Regional Innovation System (RIS) paradigm has accordingly had its influence on the Finnish NIS, but still, central coordination lingers on, for example in the government decision to assign the Smart Specialisation Strategy of the European Union, where bottom-up processes are fundamental, to the state agency TEKES rather than permitting strict regional coordination.

To sum up this far, prior to the 1990s, the Chandlerian Innovation System (ChIS) prevailed in Finland, a system whereby governments are responsible for basic science, while companies construct research laboratories and handle the adoption of science to products. The Networked Innovation System (NeIS) that emerged in the 1990s, on the other hand, builds on the recognition that clusters of SMEs are more inventive than large firms, and able to organise production in a more flexible way (Kristensen et al. 2009:15-18). Until the 1980s, the banks and the state government were the primary actors in the Finnish economy, allowing for risk sharing and diversification of the large companies. In the 1990s, national companies were globalised, and in the 2000s, international companies became the focal actor in the Finnish national business system. In the current system, incremental innovations are mainly facilitated through supplier-vendor relations, while radical innovations occur through networking between companies, R&D organisations and universities (Lilja et al. 2009:67).

The crisis of the 1990s in Finland, and the other Nordic welfare states, implied restructuring away from the Keynesian Welfare State towards an *enabling welfare state* allowing for what has been called *experimentalism* or experimentalist forms of economic organisation. The success of the Nordic countries, especially during the first years of the economic crisis starting in 2008, has rendered great attention to this model, and although there are significant differences between the countries, some common characteristics are found. Similar to the Schumpeterian Workfare state, the enabling welfare state is supply oriented, offering enabling services where individuals, companies and the state share the risks of experiments (Kristensen et al. 2009:10). However, evidence from the US shows that the transition from KWS to SWS has caused difficulties for both middle and low income families. Kristensen et al. (2009:33) point out the 'projective city' concept introduced by Boltanski & Chiapello (2007) and its notion that people with a high degree of mobility have an advantage in the experimentalist economy as they are able to pursue job opportunities, typically in the form of projects. In contrast, people who are bound by traditional occupations, family etc. never receive the chance to enter the project occupations and the possibilities for personal development and economic success these offer. The concept of an enabling welfare state instead views welfare services as enabling factors for people, increasing their mobility and opportunities to participate in the 'projective city'. A rare combination of high equality (low risk of poverty) and high efficiency (sufficient incentives to work and accordingly low unemployment rates), have been singled out as the main factor behind the success of the Nordic Model (Kristensen et al. 2009:34). Moreover, Kristensen et al. (2009:33-44) identify three factors as evidence of the enabling quality of the Nordic welfare states:

1. A high level of education is considered as an enabling factor. In the Nordic countries, 75 % of citizens aged 25-64 possess at least an upper-secondary education, compared with 67 % in continental countries, 60 % in Anglo-Saxon countries and 39 % in Mediterranean countries (Source: OECD 2006).
2. Through welfare services and support, the state shares family and working life risks with the citizens, enabling them to dare to transform, to re-

educate and to move from one location to another, in order to seize opportunities and move from low-income to high-income situations.

3. Social services make it possible for citizens to live a “non-routinised, non-space- and profession-bound life for both females and males” (Kristensen et al. 2009:37). For instance, the Nordic countries display the highest share of full time working women in double income families of the OECD countries (Source: OECD 2007), a fact that certainly owes much to a significantly higher level of parental leave benefits and child day-care expenditures than other EU countries, the latter amounting to 421 % of the EU15 average (Source: Eurostat 2008 in Kristensen et al. 2009:40). In contrast, less enabling systems are characterised by the need of insurances, which ultimately create unequal capabilities to deal with risks.

In addition, Kristensen et al. (2009:46) see the wide range of responsibilities put on the local level as a strongly contributing factor to the successful adaptation to globalisation in the Nordic countries. The system of welfare services was originally constructed by the municipalities, a setup enabling a close connection between the welfare institutions and the users of services, and this circumstance is believed to allow for the “situational co-design of public services” and, in turn, novel problem solving. During the last ten years, major enlargements of municipalities have been discussed in Finland, which are aimed at achieving a reduction to about 70 municipalities. This enlargement is primarily justified by the argument of maintaining the municipal structure which has produced these enabling welfare services. On the other hand, the fact that enlargements certainly involve centralisations make the enlargement strategy ambiguous, since this obviously represents steps away from a system of closely connected service providers and users.

Although the spending on welfare services is generally at a high level in the Nordic countries, R&D expenses vary greatly. In 2006, Denmark was a middle range country in terms of public spending on R&D, while Finland, Sweden and Norway spent much more, with Finland at the top (Kristensen et al. 2009:26-27). In Finland and Sweden, the spending, and risk sharing, is to a large extent shared between companies and the state government. The Finnish national business system (NBS)

has successfully facilitated connections and joint efforts in the Finnish economy, as a survey conducted by the European Union in 2000 showed that 70 % of innovating Finnish companies had established contacts with universities or R&D institutions, the highest share of all EU countries (Kristensen et al. 2009:28). The third European Survey on Working Conditions undertaken in the EU15 in 2000 showed that work is organised in a different manner in the Nordic countries compared to other EU countries, with significantly stronger elements of learning (see Lorenz & Valeyre 2003). Here, learning implies a “high degree of task complexity” and that “learning is continuous as employees are expected to take initiative and to exercise autonomy in resolving the production and service-related problems they confront” (see Lorenz & Valeyre 2003:17). In a similar survey in 2007, Norway, Finland, Denmark and Sweden all combined the highest degree of work autonomy with the highest degree of work-intensity. As Kristensen et al. (2009:32) put it, “in the Nordic countries all employees work as if they were managers”. The Nordic countries thereby strongly display characteristics of a NeIS, since it is the demands from customers, suppliers and colleagues rather than from superiors that set the pace of work. Figure 2 on the next page illustrates the relation between perceiving work as involving learning new things and work allowing the use of new ideas, and here, the Nordic countries strongly distinguish themselves from other European countries.

Although the Nordic countries are characterised by high-technology and high quality product markets, which naturally require a capacity for continuous upgrading and learning, Kristensen et al. (2009:33-34) see the mobility-enabling character of the welfare state, as described above, as the most important explanatory factor for the differentiation of the Nordic countries in this regard. Many firms in the Nordic countries do not simply supply customers with goods, but receive feedback by moving the product close to the customers, and in this manner are able to solve increasingly complicated problems, or aim at reaching increasingly sophisticated customers. The learning characteristic of the Nordic firms implies that they are flexible and able to re-arrange roles and routines as the customers and the relation to customers change, and consequently, firms may form a dense network with other firms, customers and suppliers. Kristensen

(2009:299) sees these characteristics as evidence for an adaptation to reflexive modernisation, as described by Beck et al. (1994:120): “What indeed underpins reflexivity is ... an articulated web of global and local networks of information and communication structures”.

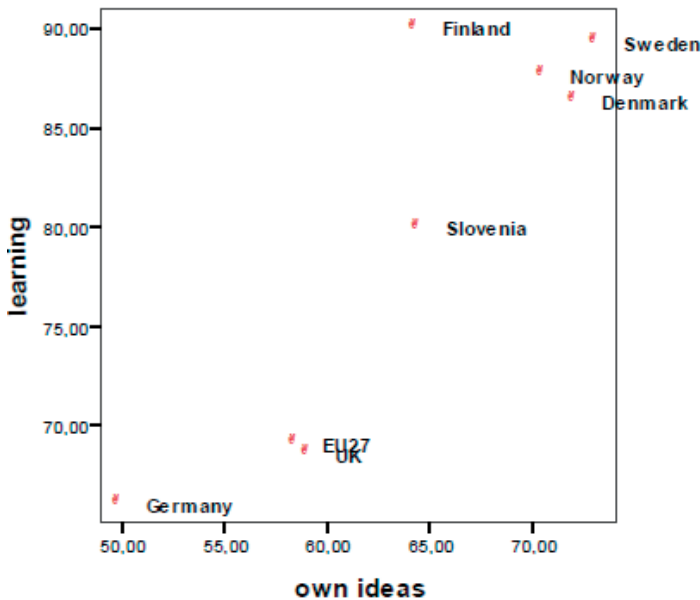


Figure 2. Experience of job involving learning new things and experience of job enabling the use of own ideas in European countries (from Åge Mariussen, adapted from European Foundation for the Improvement of Living and Working Conditions, 2007).

3.3 The region of Ostrobothnia

Ostrobothnia is one of a total of 18 NUTS-3 level regions in Finland, situated on the west coast, well off from the so-called growth triangle in the south between the cities of Tampere, Turku and Helsinki. Ostrobothnia is slightly below average in size in Finland, with a population of 179 000 and a surface of 7,749 km², adding up to a 23.1 per km² density, which is well below the European average of 116 but above the Finnish average of 17.8 (Source: Eurostat 2012). The region distinguishes itself as the most bilingual region in Finland, with a Swedish-speaking majority of 51 % and a Finnish-speaking minority of 45 %. The city of Vaasa with 66 000 inhabitants is the capital, as well as the economic and research and innovation centre of the region. There are four subregions in Ostrobothnia, the Vaasa region (ca 99 000 inhabitants), Syd-Österbotten (ca 18 000 inhabitants) to the south, the Jakobstad region (ca 45 000 inhabitants) to the north and Kyrönmaa (ca 17 000 inhabitants) to the east (see Figure 3).

As explained above, the region of Ostrobothnia is based on the administrative area of the Regional Councils constructed in 1995, and prior to this, only one-purpose joint municipal bodies were present as self-governing regional organisations, such as the land use planning agencies. However, at that time, the primary regional administrative unit was the state regional unit of the Province of Vaasa, which also covered Central Ostrobothnia to the north of Ostrobothnia and South Ostrobothnia to the east. Still, despite 20 years having passed, structures and patterns of behaviour still exist that disregard the new regional borders of 1995, as in the case investigated in the fourth article, the technology development centre KETEK, which is operated and funded jointly by the Kokkola region in Central Ostrobothnia and the City of Jakobstad in Ostrobothnia. The Kokkola-Jakobstad region is in many respects one economic region, with for example centuries-long common traditions of boat manufacturing, a branch that is still strong in both Kokkola and Jakobstad. Kyrönmaa and Syd-Österbotten are mainly rural areas with declining populations. The third article deals with the town of Kaskö and Syd-Österbotten, where the industry is generally decreasing, but where greenhouse cultivation and the metal industry especially are still of significance.

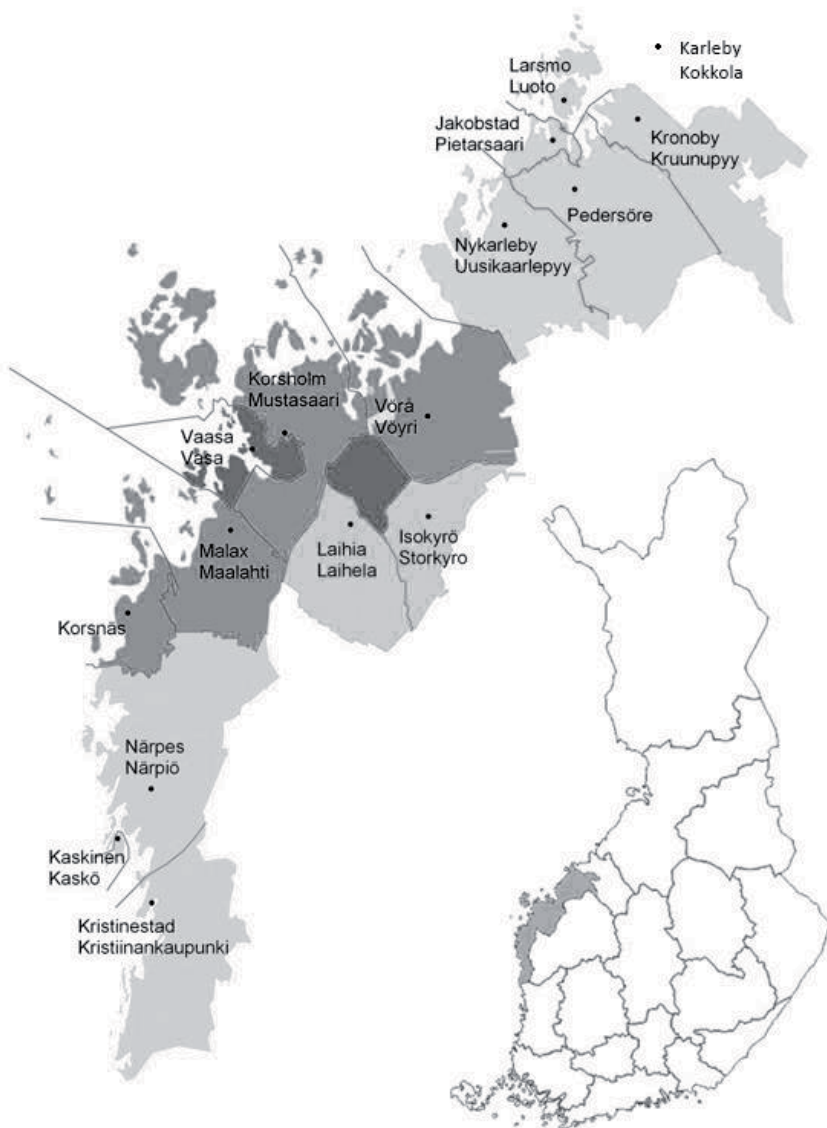


Figure 3. The region of Ostrobothnia and its municipalities. Modified map of the Regional Council of Ostrobothnia.

The Vaasa region is economically the central hub of Ostrobothnia, with the highest GDP, growth rates and the largest population. The Vaasa region houses what has been called the largest energy sector cluster among the Nordic countries, and this cluster is considered to be the economic growth source of the whole region.

In 2008, 6.3 % were employed in the agricultural sector in Ostrobothnia, 32 % in industry and 60.8 % in the service sector (Source: Eurostat 2011). Compared to the national average (3.7 %, 23.9%, 71.6%) and the EU15 average (3.5%, 26.2%, 69.7%), we see that agriculture and industry is stronger and the service sector is less relevant in Ostrobothnia, but in recent years, there has been an ongoing shift towards the service sector (Regional Council of Ostrobothnia 2013). Looking further at employment, 70.7 % of 20-64 year-olds are employed, which is slightly above the national average of 69.9 % (Source: Eurostat 2011). Generally, Ostrobothnia is regarded as a rather successful region, especially during the years since the start of the economic crisis in 2008, a fact owing to the strongly trade-oriented economy, with exports amounting to €3.6b in 2010, which in relation to the population size makes Ostrobothnia one of the most export-oriented regions in Finland (Regional Council of Ostrobothnia 2013). With regards to industrial production, 60 % is exported, and regarding the important renewable energy sector, this share is as much as 70 %.

Although Ostrobothnia has a large share of SMEs, there are some international companies present, such as ABB, which are especially significant for research and development in the region. Research and innovation is mainly performed by firms acting in the new energy sector and related industries, concentrated to the Vaasa region. The public sphere contributes with an unusually small share of research expenditures in the Finnish as well as the European context, with the large multinational companies funding the major part. SMEs participate to some extent and are able to benefit from the research projects conducted by the large companies. In 2008, R&D expenditure per GDP (GERD) was 2.55%, far below the national average of 3.9% but above the EU-27 (1.85 in 2007) (Regional Council of Ostrobothnia 2013). The most common way of measuring innovation is counting patents per capita, and here, the Province of Länsi-Suomi (NUTS-2 level region, data missing for NUTS-3) ranks second of the NUTS-2 regions in Finland. The

system of higher education is important to the region, with universities and universities of applied sciences often cooperating with the business sector in development projects. The University of Vaasa and Vaasa University of applied sciences as well as Novia University of applied sciences have for instance formed a joint research laboratory in cooperation with companies in the region. Other higher education units are Åbo Akademi University, Hanken School of Economics, Western Finland's design centre MUOVA and Vaasa Energy Institute (Regional Council of Ostrobothnia 2013). Regarding the education level of citizens, 26.1 % of the population older than 15 years has a tertiary education degree, which is well below the national average of 38.1 %, but on a par with the EU-27 average. However, the strong presence of education units in the region is visible in the number of tertiary students, amounting to 69.5 per 1000 inhabitants, which is well above the national average of 55.7. As described above, flexibility of the economy is very dependent on further education of adults, and here, Ostrobothnia has a share of 21.7 % of adults aged 15-64 participating, compared to the national average of 23 % and the EU27 average of 9.1 (Source: Eurostat 2011).

Looking at the governance system in Ostrobothnia, the Regional Council acts as the authority for regional development, for instance by writing the Regional Development Programme in cooperation with a large range of private, public and civil society actors, as described in Article 2. The target of the Council is to “promote regional development initiatives and regional balance” (Regional Council of Ostrobothnia 2013). Also important for the governance system are the regional development companies, VASEK in the Vaasa region and Kyrönmaa, Dynamo in Syd-Österbotten and Concordia in the Jakobstad region, and these develop “operational preconditions for companies and coordinate co-operation between municipalities and between education, research and economic life” (Regional Council of Ostrobothnia 2013). Of course, the ELY-centre of the region has a decisive position, implementing policies, giving guidance, expert services and financing, as well as acting as the local unit of the state funding agency for innovation and technology TEKES. For R&D and innovations, the technology centres of Merinova in Vaasa and KETEK in Kokkola, as well as Vaasa Science Park and Viexpo, are important, cooperating with and connecting companies in

respective areas. Regarding EU funding, ERDF funding is administered by the Regional Council, while the state regional administration is responsible for ESF funding. Through the LEADER approach, the Local Action Groups Aktion Österbotten and YHYRES act as regional hubs funding local projects. To some extent, the practice of citizen juries has been implemented by municipalities and other public organisations, generally in order to pick up ideas from civil society. Thus, although the Finnish political system is still characterised by a strong state, Ostrobothnia maintains a structure of governance with some degree of self-governance, with the participation of municipalities, state government units, development agencies, private companies and to some extent also the civil society.

Ostrobothnia is a rural and peripheral region with a few urban centres. As we have seen, despite the peripheral location, the economic development of Ostrobothnia is above average of the regions in Finland. Despite the fact that the Finnish tradition of strong state political steering does not offer expectations for connected and flexible regions, somehow Ostrobothnia seems to have managed to adapt quite well to the post-Fordistic economy. At the same time, the bilingualism of the region presents both opportunities for strong internationalisation and difficulties for cooperation. All these factors add up to Ostrobothnia being a very interesting case when studying post-modern processes; the case-studies presented below display evidence of connectedness and disconnectedness, cooperation and conflict. The selection of Ostrobothnia as a case study should not be comprehended as an attempt to find best or worst case scenarios, but as an attempt to find an arbitrary case, which is well away from metropolitan growth areas, while still managing to become economically sustainable.

3.4 Four articles

The purpose of this dissertation is to setup the framework of the reinvented Third Way, and later apply it to the four studies presented below. For the sake of contextualising the case studies, the economic and political systems in Finland and Ostrobothnia have been presented above. Despite the fact that a differentiated polity looks like an unlikely occurrence in unitary states, we still see a general

presence of participative platforms in the Nordic countries as well as in Finland and in Ostrobothnia. However, as Bäcklund & Mäntysalo (2010) have established, these participative forms of democracy and their output are not integrated into the representative system in a systematic fashion. The regions in Finland have traditionally been weak, but the municipalities have on the other hand possessed a strong position by serving as platforms for expanding welfare services. In this way, the enabling welfare state has been developed, offering flexible services close to users. As previously stated, this setup is very much the foundation for the success of the Nordic countries. Currently, the room for municipalities to manoeuvre is shrinking as a result of a weakening financial situation, largely due to an increasingly troublesome demography as well as a growing amount of legally stipulated tasks. The solution presented to these problems during recent years has been extensive enlargements on both the municipal and joint municipal board levels; a policy acting against the above mentioned flexibility, which in turn certainly presents further legitimacy difficulties to the representative system. Looking at the economic system, the NIS has gradually been transformed to the characteristics of a RIS, while still under firm centralised control. On the company level, decentralisation is visible in the autonomy of workers, offering flexibility and an absorptive capacity, while at the same time Triple Helix-relations are abundant in a European or a Nordic context. Looking at the Ostrobothnian economy, the region displays a high level of R&D and education, corresponding to the concept of the enabling welfare state. Relating back to the argumentation of the 'culturification' of products, although the industry in the region displays more similarities with traditional manufacturing, the level of refinement is at a high level, especially regarding the renewable energy sector.

In order to substantiate the theoretical notions presented above, four articles will offer empirical experiences. The megatrends that have been presented are general and, as we have seen, Ostrobothnia is not in any sense a homogenous region. Consequently, the expectation would be to find adaptations of the theoretical framework to varying length and scope, which is certainly the case in the articles presented here. The case of Ostrobothnia should be understood in broad terms: we are not looking at the region as a territory marked by strict borders, rather, we are looking at many different 'places', of different scale and scope, adjusted to the

specific subject or context we are dealing with at the moment. Accordingly, only one article studies Ostrobothnia corresponding to the administrative area of the Regional Council of Ostrobothnia (Article 2), while the others look at subregions (Article 3 and 4) or Ostrobothnia when understood as a regional governance network, which basically may include other regions as well (Article 1).

3.5 Article 1

Nordberg Kenneth (unpublished manuscript), Attempts at Regional Mobilisation in a Unitary State – Two Decades of Learning and Unlearning.

The purpose of this first article, on the one hand, is to contextualise the prerequisites for flexible self-governing local entities in a unitary Nordic state such as Finland. On the other hand, this article develops and tests decisive factors for regional mobilisation. The knowledge about the actual implementation of flexible, self-governing networks or regions is of course extremely relevant when looking at the new forms of economic and democratic conduct presented in the theoretical narrative above, especially when the subject of investigation, a small unitary state, is not expected to allow for self-governing practices. The article investigates the capacity of learning when member states are confronted with the regionalisation agenda of the European Union, i.e., the manner in which the regional agenda of the European Union is implemented in regions. The theoretical background is the transition from geopolitics to geoeconomics, from the Keynesian Welfare State to the Schumpeterian Workfare State, a shift implying that national territoriality is no longer aligned with national economic interests. The state governs through market control and the promotion of ‘city regions’ rather than the implementation of national policies.

The article describes the evolvement of the regional level in Finland over two decades, starting in the early 1990s, when a wave of regional reforms reduced state involvement and constructed new regional authorities, and onwards to the 2000s, when a second wave of reforms further institutionalised the regional units. Additionally, the influences of European and Finnish national development

programmes on the possibilities for regional mobilisation are investigated, and found to be somewhat inconsistent. A series of interviews have been conducted with both state government officials and regional actors in Ostrobothnia and at the state level in order to receive a perception of the actual approach at the regional and national level to the European regionalisation policy. The article offers two main findings. First, the possibilities for regional mobilisation in Finland are defined as growing substantially in the 1990s, due to adaptations to the European Union among other things, but in the 2000s, this room for manoeuvre has gradually been reduced. Second, although funding programmes have increased the possibilities for regional mobilisation, during recent years, partly as a consequence of the financial crisis, state funding has decreased substantially. The experience at the regional level is consequently that regional mobilisation is increasingly dependent on EU funding, while the state government increases its steering. Thus, the regional policy of the European Union is the Union's way of surpassing the state governments, while the states at the same time attempt to maintain control. The conclusion of relevance for this thesis is consequently the visibility of a path dependency, in other words, the rigidity the unitary state displays regarding new forms of economic and democratic conduct. This is in accordance with the strategic relational approach (SRA) of Bob Jessop (Jessop 2008), suggesting that states are controlled by different alliances of leading actors who create a shared strategy, which is based on structures and constraints embedded in the history of the state. In this way, actors such as leading political parties, large companies, interest groups and civil society organisations form long-term strategies, which in turn form the main structures within the national system. These structures act as selection mechanisms, which, on the basis of the existing structural strategy, may either approve or deny suggestions for change. According to Jessop, these are the reasons for differences in characteristics between states. However, Jessop does emphasise that these structures are open for transformations, in instances when actors are open to the possibility for change. Thereby, the path dependency detected in the article is expected, but should not be comprehended as a settled status of a unitary state, since the alliance strategies evolve over time.

3.6 Article 2

Nordberg Kenneth (2014), On the Democracy and Relevance of Governance Networks. Scandinavian Journal of Public Administration, Vol 18, No 2.

For the purpose of the thesis, i.e. to examine new economic and democratic conduct, the second article investigates democratic practices and the importance of actual self-governance for achieving legitimacy for the new forms of governance practices. The subject of study is the planning process of the Regional Development Programme in Ostrobothnia carried out in 2009 and 2010. The main research question of the article concerned establishing whether the relevance of the output of a governance network is decisive for its democratic contribution. The indifference for political participation is an urgent problem in contemporary societies, and as a consequence, new forms of participation have been advocated by researchers and politicians. Examples can be found in the model for regional development of the European Union, which presupposes the involvement of local actors, and in the research field of deliberative democracy, through which the practice of citizen juries has become increasingly frequent in political decision making. The study in the article compares the operations of the governance network in question with democratic ideals found in governance network theory and deliberative democracy theory. The planning process is studied by investigating working group documents, minutes of meetings, and by conducting a series of 16 interviews with selected participants of the planning process. Approximately 140 individuals representing all three society sectors participated in this process in ten working groups and five subordinated groups. The process was, in principle, open for participation by everyone, in practice, only invited individuals took part, and these were individuals selected by the Regional Council for their competence and their association with the specific subjects of the working groups. The Regional Council followed two unofficial principals for the selection: first, to gather the acquired knowledgeable actors, second to attempt to include also marginalised actors. Looking at the process as a whole, the article concludes that the inclusion is broad, covering all society sectors and many different kinds of interest. Generally, although the article finds considerable agreement between the theoretical ideals and the practices found in the planning process, especially

regarding the deliberative principles, the interviews raised suspicions of whether issues of conflict were actually dealt with. A participative platform positioned outside a traditional representative system, such as the planning process studied, is not regarded by the participants as the arena for settling conflicts and producing agreements, although the Regional Development Programme by legislation is appointed as the leading programme at the regional level. Accordingly, the contrast between casual conversation and discussions for deciding crucial issues becomes a central point for understanding the relevance of a governance network, and in turn, the democratic value of such a network. The main finding of the article, also relevant for this thesis, is that for participative forms of democracy to work, to function in a democratic manner and contribute to the democracy of a society, their output must be of relevance. Otherwise, these kinds of platforms cannot be integrated with the representative system; instead, they merely act at the side of it, as forums for more or less casual discussions.

3.7 Article 3

Nordberg Kenneth (2013), Is there a Need of Transnational Learning? The Case of Restructuring in Small Industrial Towns in Mariussen, Åge, Virkkala, Seija (Eds) Learning Transnational Learning, Routledge, London.

The third article looks at the subregion of Syd-Österbotten (called Southern Ostrobothnia in the article), in particular the small town of Kaskö, and the mobilisation process initiated there as a consequence of the shut-down of a large pulp-mill. This article is a part of LUBAT (Lärande om Utveckling i Botnia-Atlantica), a project examining possibilities for transnational learning between Nordic countries by studying the national and regional contexts of the two countries in question and judging possibilities for making use of good practices in one country in the institutional context of another. Kaskö is a small town of only 1400 inhabitants, depending heavily on the pulp mill, which was present in the town for over 30 years, employing close to one third of the population when counting also linked industries. The town of Kaskö has in this manner depended

heavily on Fordistic manufacturing industries, a circumstance visible also in the restructuring efforts deployed. When studying the mobilisation process in Syd-Österbotten, the policy for industrial restructuring in Norway was studied as an ideal case. Norway, a country with a mountainous geography and scattered natural resources (e.g. mining products and hydroelectric power) naturally houses an abundance of peripheral, inaccessible one-company towns, and has accordingly had every reason to develop a functioning strategy for making these kinds of towns sustainable in the long run. In contrast to Great Britain, for instance, which in the 1980s turned to opening up the market in order to attract foreign investments, the Norwegian policy makers concluded that the small and peripheral communities in Norway are not able to withstand the global competition for investments. Instead, the Norwegian strategy basically entails a continuous restructuring of the regional economy, in order to diversify it, so when the main industry sooner or later collapses, other industries are able to take over as supporters of the community. The Norwegian strategy implies a high degree of cooperation, inclusiveness in decision making and consensus about long-term development objectives, with the aim of achieving general agreement about the allocation of resources for situations that can occur in the future. This is in direct contrast to the crisis-based interventions in the case of Syd-Österbotten, which mainly consisted of attracting replacing industries. Consequently, an opportunity for transnational learning was present. For the sake of the study, the local and regional structures were investigated in the respective countries, as well as legislation on restructuring and restructuring practices. Additionally, 13 interviews were conducted with key actors of the restructuring process in Kaskö and Syd-Österbotten. Two main differences were identified between the Norwegian policy and the case of Syd-Österbotten: first, when restructuring efforts are implemented at the regional level in Norway, the Finnish administrative structure emphasises municipal governance; second, Norwegian legislation forces the company in question to assume responsibility for the community it is acting in, also encouraging joint action between actors, while a corresponding legislation is not present in Finland. As a consequence of these two factors, a range of actors, among them a number of small municipalities, needed to quickly reach an agreement for restructuring efforts when the close-down in Kaskö occurred. This allowed the company to act selfishly and the

neighbouring municipalities to leave Kaskö to its misery. Cooperation difficulties between the municipalities in Syd-Österbotten have been common in the history of the region, mainly due to language differences and strong local cultures, with unsuccessful attempts to form a joint regional business development agency as perhaps the most aggravating example. In the case studied, the competition for tax payers between the municipalities was preferred over a common restructuring effort, i.e., the municipalities refused to establish a joint restructuring organisation since the efforts of the organisation might just as well have become directed to the other side of the municipal boarder. In this way, the region of Syd-Österbotten lacked the readiness displayed by a structure geared towards long-term restructuring. For the sake of this thesis, the findings in this article first and foremost display the lack of connectedness and its negative effects described in economic literature. Second, democratic implications are visible in the rigidity of a structure allowing only municipal and national arenas for action. When the main actors are small municipalities, these can be played off against each other, while on the other hand, if municipalities become larger, the possibilities for local arenas to turn to action vanish. Thereby, the findings in this article suggest allowing functional structures according to local circumstances and particular subjects, in accordance with the ad hoc character of governance networks.

3.8 Article 4

Nordberg Kenneth (2015) Enabling Regional Growth in Peripheral Non University Regions—The Impact of a Quadruple Helix Intermediate Organisation, Journal of Economic Geography.

The fourth article investigates the Kokkola-Jakobstad region, a case study describing the manner in which an increasingly dynamic innovation environment is enabled in a peripheral region through a differentiation of both the knowledge and the political systems. The system for innovation in the region is examined through depicting the development path of the technology centre KETEK, an organisation starting off as a small research unit of the secondary school Kokkola Technology Institute and evolving step by step into a central actor for R&D in the region. Interviews with regional actors, company representatives and KETEK personnel, as well as the investigation of a number of strategy programmes and annual reports, form the empirical basis for this study. As a theoretical framework, the Smart Specialisation Programme of the European Union, with its emphasis on the theoretical concepts of the Mode 3 Knowledge Production System, Quadruple Helix Innovation system and related variety, is used in order to understand the dynamics of the system of innovation surrounding KETEK. The main objective of the article is to determine whether a non-university town is able to withstand global competition by setting up an intermediate organization. A secondary question concerns whether the alteration of the fourth helix (which is defined as “society” or “the general backdrop” to regional and local activities) may open up the Triple Helix actors towards each other, thereby attuning a region to creativity and innovation.

Here, KETEK and the Kokkola-Jakobstad region display similarities with the concept of Mode 3, which basically implies external connections to national and global innovation networks at the same time as promoting a close interplay between a range of actors, firms and knowledge organisations, combining different kinds of knowledge and innovation modes. In this way, the article argues that the impact of the fourth helix in a peripheral non-university region is more apparent than in a large metropolitan region, where strong knowledge organisations and companies are, to a larger extent, able to act disregarding the society it is active in.

The second argument in the article is that certain alterations in the fourth helix give rise to the potential of opening the actors in the triple helix towards each other for the purpose of developing innovations. Accordingly, and in contrast to the third article, the importance of connectedness is here illustrated as beneficial for economic development.

The Kokkola-Jakobstad region and KETEK form an example where a range of actors are interconnected, allowing for different knowledge types to interact. Looking at the democratic aspect, the case illustrates the manner in which arenas for cooperation are constructed according to functional needs, disregarding municipal or regional borders, especially when considering the fact that the regional border between Ostrobothnia and Central Ostrobothnia cross the subregion studied. The article ends by introducing the concept of a *Quadruple Helix intermediate organization*, which basically corresponds to an organisation promoting the inclusion of firms, citizens and users while simultaneously improving the knowledge environment of a region. Here, a research and development organisation approaches the activity of a participative functional arena even bringing accountability to its decision making.

3.9 Conclusions: The Case of Ostrobothnia

In contradiction to the virtues of bottom-up processes discussed in this thesis, the findings of Article 1 describe a path dependency of state societies basically obstructing adaptations to pluricentrism. Accordingly, the article suggest a rough ride for attempts to implement new forms of participative democracy in the unitary Nordic countries. In the case of Ostrobothnia, we have witnessed the presence of both resourceful governance networks and advisory forums. Here, Article 2 suggests that for participative networks to act in a democratic fashion, a prerequisite is that definite authority is assigned to them. Provided that participative networks are merely in the form of advisory forums, and the actual decisions are taken elsewhere, their democratic potential will not be fulfilled. Characteristics of metagovernance is visible in this case through directives for the contents of the programme, for instance the demand of compliance with national and EU objectives. In practice, the regional programmes end up being very similar to the development programmes written by state regional authorities. In Article 3, a municipal structure is depicted where small autonomous units escape obligations to joint action, a circumstance which basically may sabotage possibilities for long-term development planning.

Together, the three first articles demonstrate the manner in which bottom-up regional development is caught between local patriotism and state government control. Sjöblom & Andersson (forthcoming) argue that regional development projects are key devices for policy implementation, that they need to be spatially integrative by crossing geographical borders, and horizontally integrative by enforcing collaboration between government and non-government actors and by promoting participation and information exchange. Discussing Finnish conditions, the authors conclude that “the capacities for spatial integration rely heavily on specific types of actors such as enterprises and voluntary organisations rather than on the politico-administrative institutions”. This further strengthen the argument presented here regarding Finnish circumstances, that the position of both the local and national authorities need to be reconsidered in order to favour regional development processes. Governance processes, as the one depicted in

Article 2, easily become a show for the galleries rather than actual bottom-up processes for decision making.

Article 4 introduces the concept *Quadruple Helix Intermediate Organisation*, a hybrid organisation gathering stakeholders, users, civic organisations, public administration and politicians in order to generate development through innovations for the sake of the local community. This is a model where local communities play along with the game of the post-fordistic economy rather than merely wait for its effects. During recent years, the Finnish state authorities have strengthened the control of R&D funding, for instance through the termination of the OSKE programme, and consequently, the activity of every locality in this field is increasingly determined centrally. This is an example of a kind of steering through financing beyond the soft steering mechanisms described in the metagovernance literature. The technology development centre KETEK emerged owing strongly to EU and OSKE funding, and such possibilities have certainly been reduced under current policies.

Looking at Articles 3 and 4 together, these illustrate the merit of connectedness, of facilitating continuous interaction, a creative 'people climate' and the possibilities for reaching agreements for pulling together rather than attempting to outperform each other. Moreover, these two articles point out the value of constructing participative arenas according to functional needs rather than static decision-making bodies. Together, the findings of all four articles define the essence of the reinvented Third Way by suggesting that the task assigned to politics, the governance of the post-Fordistic economy, is still highly important, and specifically, that the globalised economy should find its governance in local and regional circumstances.

4. Conclusions: Politics in the Post-Fordistic Economy

Consequent to the '68 protest movements and the resource crisis, the 1970s was a time when "capital owners and economic leaders" realized that it was becoming increasingly difficult to maintain a high growth rate in order to support the welfare society, and consequently, a liberation of the economy from the bureaucratic-political system was needed (Streeck 2013:44-45). In retrospect, the success of this neoliberal ideology is astounding, perhaps amplified by the end of abundant natural resources and the life-span of the technologies of the second Industrial Revolution. Now, we see suggestions of regulations of the market, which is precisely what Karl Polanyi implied is the inevitable result of "the commodification of labour and nature". Subsequent to the financial crisis, which started in the United States in 2008, the relation between politics and the economy has been at the top of the agenda for economic scholars, who have increasingly started to question the virtue of 'hyperglobalisation' and open markets, a paradigm implying economic integration and less room for differences in social and economic structures between nations, and consequently, less room for national, regional and local decision making. Neoliberal discourse had reached an almost hegemonic status over the course of the last three decades, becoming "the dominant political form of capitalist globalisation" (Brenner & Theodore 2002:350 cited in Castles et al. 2011:11), and this status has thus increasingly been contested, mainly with arguments of equality and democracy.

In his book *Gekaufte Zeit* (Streeck 2013, German original in 2012), Wolfgang Streeck identifies the beginning of the 1970s as a turning point, when what he calls the *tax state* turned into the *debt state*. To instantiate the democratic difficulty of the debt state, Streeck points out the diminishing position of citizens on behalf of financial creditors consequent to the rise of state debts after the 2008 crisis, comparing the relation between citizens and creditors to that between workers and shareholders at a company (Streeck 2013:96-97). Streeck believes that the envy and hate between nations displayed during the euro crisis have proved that the heterogeneity of Europe rules out the possibilities for a political union in Europe, with one-size-fits-all solutions similar to the hyperglobalisation standards,

ignoring the specificities of not only localities, but also nationalities (Streeck 2013:198-205).

Thomas Piketty and his book *Capitalism in the 21st century* (2013) has recently received a huge amount of attention, mainly since the central argument of the book, that wealth tends to accumulate more wealth, is in contradiction to the established opinion among economists that wealth is earned through hard work. Through extensive series of longitudinal taxation data, Piketty is able to show that the period subsequent to the Second World War up until the oil crisis in the 1970s was an unprecedented period of equality, due to the fact that the economy, and thus wages, grew faster than interest rates, alleviating efforts to improve this equality. Following this time period, in accordance to the theory of Piketty, inequality has grown and is currently on a par with *la Belle Époque* prior to the First World War, with an incredible rise of wealth for the richest one per cent. Piketty argues that rising inequality is an inescapable consequence of capitalism and economic liberalism, and that this inequality spiral may break only momentarily, as in the post-war period or by a change of policy, and consequently, Piketty advocates for a global system of progressive wealth taxes.

Erik Brynjolfsson and Andrew McAfee on the other hand see “exponential, digital, and combinatorial change in the technology that undergirds the economic system” as the main reason for the increased inequality during the last four decades (Brynjolfsson & MacAfee 2014:133). In their book *The Second Machine Age* Brynjolfsson & MacAfee identify an exponential rise of digital technologies automating jobs, handing capital owners and innovators an increasing share of productivity. Brynjolfsson & MacAfee advocate political steering for maintaining equality, if not for the sake of justice, then for the fact that equal opportunities are the best growing ground for innovations (Brynjolfsson & MacAfee 2014:171-172).

Rodrik (2011) implies that economic globalisation and democracy are even contradictory occurrences, and that for a society to be democratic, governance of the market is required. As Rodrik explains (2011:xix), we have few options here. A global political community governing the world economy is difficult to realise, since such a setup would require extremely complex accountability mechanisms.

Instead, Rodrik pins his hopes to re-empowering national governance, calling attention to the successful economic development in China and India, states certainly not corresponding to democratic ideals, but still demonstrating how strong state governance may act to diversify the economy also under the pressure of globalisation. In comparison, Rodrik points out the weak financial growth of the Latin American countries, states applying much less governance of their economies. Thereby, in order to overcome the incompatibility of free markets and governance, Rodrik first points out that the market and the government should not be regarded as substitutes, but as complements to each other. In this view, markets work best with the aid of governance, not without it. Second, Rodrik emphasises the potential diversity in capitalist models, adjusted to national characteristics with different setups of social welfare, labour markets, corporate governance, etc. Thus, what Rodrik suggests is national governance adapted to different national circumstances, expecting such a setup to allow for healthier globalisation rather than obstructing globalisation altogether.

The Bretton Woods compromise of 1945 allowed the Fordist states to develop separate economic policies, with, for instance, their own versions of welfare, while at the same time enabling global trade. In this system, the impact of politics was definite. As a consequence of an increasingly mobile capital, together with the resource crisis in the 1970s, the Bretton Woods system became difficult to maintain, and since its abolishment, politics has struggled to define its role in the globalised, post-Fordistic economy. The argumentation of the above-mentioned theorists, suggesting increased governance of the economy, is in line with the reasoning of this thesis, i.e. with its main objective of defining the role of politics in the contemporary economy. While Rodrik leaves the governance of the economy to the level of nation states, this thesis suggests decentralising politics to local environments.

To summarise, the line of reasoning in this thesis has consisted of the challenge of 1) the third industrial revolution initiating globalisation and opening nation states “upwards, downwards and outwards”, as described by Jessop, and 2) the impact of knowledge on human behaviour, forming increasingly reflexive and individualised citizens. On an individual level, citizens construct their identities in a fluent

fashion, disregarding traditional districts or regional borders. In this manner, the people and civil society, as well as companies and the economy, act increasingly in functional networks rather than static ones. The theoretical discussion in this thesis has dealt with the responses to this increasingly pluricentric, reflexive and flexible society. First, we have seen the response of the existing liberal democratic system, which has allowed for different kinds of participative platforms, acting outside of the representative system. We have also seen suggestions from governance scholars of a system of metagovernance, implying tools for the use of the representative system to impose control over these governance networks. Second, we have witnessed more radical suggestions of post-liberal theorists, advocating an extensive redesign of the democratic model. Again, it is important to note that the aim of the thesis is not to create a functional democratic model by judging or selecting one of these responses over the other, rather the thesis suggests a new way of comprehending the role of politics in the post-Fordistic economy, and the case studies presented in the articles aid this comprehension.

To compromise the simple and well-ordered representative model of democracy certainly stirs things up. One main aim of this thesis has been to explain and illuminate the long-term processes leading up to the existence of governance networks today, facts implying that the simplicity of the representative model is not sufficient to the pluricentric and post-Fordistic society. Another aim has been to point out the possibilities governance networks offer, suggesting a pragmatic response to these networks rather than merely addressing democratic deficiencies. This thesis and its empirical cases suggest that decreased top-down steering and decentralisation of power may be an advantageous response to the megatrends described. Democratic difficulties are, of course, obvious in a world of governance networks: accountability suffers when elected politicians and public officials do not have a direct oversight of the governance process, conflicts of interests and the protection of the citizens against the state are unaddressed issues, publicity and transparency are undermined by the fragmentation of the policy process and the risk of resourceful actors dominating the process is apparent. Addressing these democratic issues has been at the top of the agenda for governance theorists during recent years. Some scholars want to increase the control of governance networks, making them dependent of government bodies. The concept of metagovernance

offers a wide range of tools, implying the steering of governance networks to varying lengths. If and when these tools are chosen and applied, the virtues of the new forms of conduct described in this thesis must be considered, especially the opportunity for adaptation of decisions to local circumstances, the activation of civil society and the promotion of a vibrant, connected and innovative community.

These are delicate qualities easily deteriorated if control is too tight – accordingly, prudence is required when metagovernance tools are selected and exercised, and the set of tools chosen must certainly also be specific to the particular context. New participative digital forums might also be of aid in the future. In line with the suggestions of Peters (2010) above, ‘storytelling’ (see Bevir 2006:132) might be the most efficient and prosperous metagovernance tool, that is, the fostering of beliefs, trust and values creating coherent social and political meanings and identities. In the cases studied here, the governing tools are certainly too tight to correspond to the metagovernance ideals. At the other end of the spectrum, more radical post-liberal democratic theorists believe that the participation of stakeholders, the transparency of their activities, the adaptation to local circumstances and the illumination of local opinions this generates is sufficient for achieving legitimacy for decision-making processes. In the Finnish case, to correspond to these ideals, we would need to see a considerable withdrawal of state government control on the behalf of strengthened regional units. As mentioned earlier, there are no scientific argument selecting the state-centric metagovernance response over more radical post-liberal responses, or the other way around. People are the ones responding to changing circumstances, and therefore, this is fundamentally a political matter.

Instances highlighted in this thesis suggest that we are currently in a period of transition, where the society systems created in the wake of the second industrial revolution are outdated and need to be adjusted to the globalised, digitised reality in order to be relevant and legitimate. Whilst equality decreases in Western countries, discontent with the political system rises and populist movements gain momentum. A return to an economy subordinated to democratic control along the lines of the Keynesian model implies, to some extent, a restoration of enclosed national economies, and in accordance, a reversion of globalisation. Disregarding

both the virtues and drawbacks of globalisation, people as well as technology now operate on a global arena, and consequently, history may not be reversed in this case either. This thesis suggests that in order to find an arena for governance of the economy in a globalised world, we need to look at localities. The broad outlines of the changing economic and political circumstances during the last century, as well as the case studies, have been described in this study specifically in order to demonstrate the great potential hidden in participative, functionally designed local and regional arenas.

Sammanfattning

Avsikten med den här avhandlingen är att med hjälp av empiri omformulera kopplingen mellan det politiska och ekonomiska, det som kallas *The Third Way*, Den tredje vägen, så att den utgår från det lokala snarare än det nationella. I det akademiska forskningsämnet *governance*, som har blivit allt populärare under de senaste två decennierna, har det påpekats att styrningen av samhället gradvis flyttat bort från statens och kommunernas händer till mer eller mindre flexibla ad hoc-nätverk av intressenter. En orsak till den här förskjutningen kan hittas i förändringar i det ekonomiska systemet, i form av exempelvis ökad frihandel och öppna innovationsplattformar, och i det sociala systemet, genom en ökad individualisering och reflexivitet hos människor. Således är det fördelaktigt att se på både det ekonomiska och det sociala systemet och inte enbart koncentrera sig på det politiska när governance-system studeras.

Sammanflätningen av samhällssystemen är en utgångspunkt i den här avhandlingen, vilket även föranleder kopplingen till det teoretiska sambandet mellan det politiska och det ekonomiska systemet. Det är det här sambandet som vid ett flertal tillfällen sedan slutet av 1800-talet benämnts den tredje vägen. I den senaste formen, som etablerades i socialdemokratiska partier på 1990-talet, motsvarade den tredje vägen en kompromiss mellan interventionistiska keynesianska staten och den nyliberalistiska tanken om den fria och oreglerade marknaden. Det betonades att den tredje vägen inte var en sammansmältning av den politiska högern och vänstern, utan att den tredje vägen gick ”beyond left and right”, bortom vänster och höger. Den bakomliggande tanken är att det marxistiska påståendet om att kapitalismen bör avskaffas är föråldrat, eftersom socialdemokratiska regeringar genom att tillhandahålla välfärdssystemet redan lyckats ta bort de destruktiva elementen av kapitalismen. Den här tredje vägen har misslyckats på två sätt. Dels har den inte lyckats bortse från vänster och höger utan istället reducerat de politiska alternativen för väljarna, dels har den tredje vägen inte funnit något svar på kravet från alltmer reflexiva och individualistiska medborgare som inte nöjer sig med att endast rösta i val. Avhandlingen identifierar en ökande fokusering på de lokala samhällena i både governance- och ekonomisk litteratur, där lokala resurser och förhållanden pekas ut som fördelaktiga ur både

ett demokratiskt och ett ekonomiskt perspektiv. På det här sättet identifieras en ny typ av koppling mellan politiken och demokratin, en återuppfunnen tredje väg, där det lokala samhället utgör grunden för politisk styrning. I kapitel två i avhandlingen identifieras kopplingen mellan det politiska systemet och det ekonomiska i en genomgång av långsiktiga trender, inte mindre än nio så kallade megatrender, som varit synliga i de västerländska samhällena de senaste två århundradena.

Den teoretiska diskussionen inleds med en beskrivning av den befintliga demokratiska modellen, den liberala demokratin, vilket dess ursprung är och hur den de facto är ett uttryck för en typ av elitstyre snarare än ett folkstyre. Genomgången visar att den liberala demokratin, som utvecklats från en masspartimodell till en medborgerligt passiviserande publikdemokratimodell, har allt större problem att engagera medborgarna och på det sättet återspegla folkets vilja. På det här sättet markeras grunden till den teoretiska skola som kommit att kallas postliberal demokratiteori. Den postliberala demokratidiskussionen har till stor del sitt ursprung i identifieringen av den växande betydelsen av governance-nätverk och på vilket sätt deras verksamhet kan legitimiseras. Sett ur den representativa demokratiskolans synvinkel är tanken radikal och innebär ett nytt synsätt på demokratiskt deltagande: intressenten, som har ett moraliskt eller ekonomiskt intresse i en offentlig beslutsprocess, kan i vissa fall till och med likställas med medborgaren. De mer radikala postliberala teoretikerna ser på det här sättet offentligheten och blotta deltagandet av intressenterna som tillräckligt för att uppnå demokratisk legitimitet, medan andra mer försiktiga teoretiker försöker finna kopplingar mellan det representativa systemet och de funktionella nätverken. I det senare sammanhanget är metagovernance ett centralt begrepp, och kan beskrivas som ett verktyg för valda representanter att utöva kontroll över nätverken utan att för den skull ifrågasätta deras autonomi. Oavsett vilken specifik typ av legitimering de här nätverken tillskrivs så är de i allt väsentligt uttryck för en decentralisering av den politiska styrningen enligt en idé om att beslutens kvalitet höjs, och även legitimeras, då det lokala samhället är med och bestämmer.

En liknande utveckling emot ett ökat deltagande av det lokala samhället är också synlig i den ekonomiska litteraturen. I avhandlingen beskrivs dels den teknologiska

våg-lika utvecklingen, som sammanfaller med ekonomisk-politiska förändringar, exempelvis i övergången från fordism till post-fordism samt från den keynesianska till den schumpeterianska staten. Början av 1970-talet identifieras som en nyckeltidpunkt, då välfärdsstaten och det fordistiska produktionssättet tycks ha levt ut sin tid och den nyliberala tanken fick fart. För avhandlingens tema är transformeringen av ett industriellt ekonomiskt paradigm till ett kunskapsekonomiskt paradigm det kanske mest väsentliga. Nyckeln till ekonomisk konkurrenskraft i en globaliserad värld anses i den ekonomiska litteraturen vara innovationer, att genom forskning och utveckling ta fram produkter och tjänster som utmärker sig från det konkurrenterna erbjuder. I innovations-utvecklingslitteraturen lägger innovationsforskarna allt mer vikt vid det lokala, av vilket den ökade tyngdpunkten på regionala innovationssystem framom nationella är ett exempel. De lokala samhällena, institutionerna, företagen, skolorna och de olika kunskapsinstitutionerna utgör genom växelverkan, dels sinsemellan och dels med nationella och globala kunskapsnätverk, den bästa grogrunden för innovationer. Varje lokalt samhälle ska, istället för att industrier utlokaliseras som under den fordistiska eran, utveckla näringslivet utgående från den befintliga karaktären och styrkorna.

De paralleller som utpekats mellan de olika forskningsfälten belyses i fyra studier som i avhandlingen representeras av fyra artiklar.

Den första artikeln är å ena sidan kontextualiserande, eftersom den presenterar förutsättningarna för flexibla, självstyrande lokala och regionala enheter i en enhetsstat, å andra sidan utvecklar och testar den avgörande faktorerna för regional mobilisering. Kunskapen om det faktiska genomförandet av flexibla, självstyrande nätverk eller regioner är naturligtvis mycket relevant när man tittar på de nya formerna av ekonomisk och demokratisk verksamhet som presenterats i den teoretiska berättelsen i avhandlingen. Artikeln undersöker nationalstatens förmåga att "lära" när medlemsstaterna konfronteras med den regionaliseringsdagordning som Europeiska unionen för. Den teoretiska bakgrunden byggs upp av Multi-Level Governance-, decentraliserings- och regionalism-teori, av vilket det sista är ett teoribygge som beskriver det förnyade intresset för regioner som

uppstod under 1990-talet och som den senaste tiden främst kommit att omfatta så kallade funktionella regioner framom territoriella.

Artikeln beskriver utvecklingen av den regionala förvaltningsnivån i Finland under två decennier, med start i början av 1990-talet då en våg av regionala reformer reducerade statlig inblandning och gav upphov till nya regionala myndigheter, och sedan vidare till 2000-talet, då en andra våg av reformer ytterligare institutionaliserade de regionala enheterna. Den här förvaltningsmässiga beskrivningen kompletteras av en redogörelse för på vilket sätt både europeiska och nationella utvecklingsprogram har inverkat på möjligheterna till regional mobilisering. Det empiriska materialet till den här redogörelsen består av relevanta reform- och utvecklingsprogram-dokument, medan en serie intervjuer med europaparlamentariker, regeringstjänstemän och regionala aktörer i Österbotten har genomförts för att få en uppfattning om möjligheterna till regional mobilisering i verkligheten. Artikeln presenterar två huvudsakliga slutsatser. För det första anses möjligheterna till regional mobilisering tydligt växa under 1990-talet, speciellt på grund av de nationella anpassningarna till EU, men på 2000-talet har detta handlingsutrymme successivt minskat. För det andra har finansieringen genom de olika utvecklingsprogrammen påtagligt ökat möjligheterna till regional mobilisering, men även här har möjligheterna minskat under det senaste decenniet. Erfarenheterna på regional nivå förstärker de här indikationerna, då det uttryckligen påstås att utrymmet för regional mobilisering minskat kraftigt, medan det tillika hävdas att den statliga regeringen ökat sin styrning. Följaktligen är ett stigberoende tydligt i form av den motreaktion till regionaliseringen som är synlig på 2000-talet. Med andra ord beskriver artikeln den stelhetsstaten visar upp i samband med anpassningen till de nya formerna av ekonomisk och demokratisk verksamhet.

Den andra artikeln undersöker demokratin och vikten av reellt självbestämmande för att uppnå legitimitet för den nya typen av styrning som kommit att kallas governance. Studieobjektet i den här artikeln är planeringsprocessen av det regionala utvecklingsprogrammet i Österbotten som genomfördes under åren 2009 och 2010. Den viktigaste frågeställningen är att fastställa om den reella relevansen av ett governance-nätverks output är avgörande för dess möjligheter att

fungera demokratiskt och bidra till hela samhällets demokrati. Den här frågeställningen anspelar på den postliberala demokratiteoribildningen, som reagerar på den tydliga likgiltigheten för traditionellt politiskt deltagande som är synligt i samhället genom att söka nya former för deltagande. Konkreta exempel finns i modellen för den regionala utvecklingen i Europeiska unionen, vilken förutsätter medverkan av lokala aktörer, och även inom ramen för det allt populärare forskningsområdet deliberativ demokrati, genom vilket bruket av medborgarjuryer har blivit allt vanligare i det politiska beslutsfattandet.

Artikeln jämför verksamheten i den studerade planeringsprocessen, som kan beskrivas som ett governance-nätverk, med demokratiska ideal funna i både governance- och deliberativ demokrati-teoribildningarna. Planeringsprocessen studeras genom att undersöka arbetsgruppsdokument, mötesprotokoll, samt genom att genomföra en serie av sexton intervjuer med utvalda deltagare i planeringsprocessen. Cirka 140 personer som representerar alla tre samhällssektorer deltog i denna process uppdelade i tio arbetsgrupper och fem undergrupper. Processen var i princip öppen för deltagande för alla, men i praktiken deltog endast inbjudna personer, och dessa var individer som valts av det landskapsförbundet för deras kompetens och deras anknytning till de specifika ämnena arbetsgrupperna behandlade. Landskapsförbundet följde två inofficiella principer för valet av deltagare: för det första att samla kunniga aktörer, för det andra att försöka inkludera även marginaliserade aktörer. En slutsats som dras i artikeln är att processen är brett inkluderande och omfattar alla samhällets sektorer och många olika typer av intressen. Generellt finner artikeln stor enighet mellan de teoretiska idealen och det genomförande som processen visar upp, särskilt när det gäller de deliberativa principerna, men genom intervjuerna med deltagarna väcks misstankar om att konfliktfyllda frågor undvikits. På det här sättet visar artikeln att en deltagandeplattform som är placerad utanför det traditionella representativa systemet inte betraktas som den arena där svåra konflikter ska lösas av deltagarna, även om det studerade utvecklingsprogrammet de jure utpekas som det ledande programmet på regional nivå. Följaktligen blir kontrasten mellan vardagligt samtal och diskussioner för att besluta viktiga frågor en central punkt för att förstå betydelsen av huruvida ett governance-nätverks verksamhet får relevans, vilket i sin tur påverkar det demokratiska värdet av ett sådant nätverk.

Den tredje artikeln undersöker Sydösterbotten, den sydligaste delen av regionen Österbotten, och speciellt den lilla staden Kaskö. I Kaskö initierades en omstruktureringsprocess år 2009 som en följd av stängningen av massa-fabriken Metsä-Botnia, som sysselsatt en tredjedel av befolkningen i staden. Processen i Sydösterbotten jämförs med en ideal modell för omstrukturering som hämtas från Norge, ett land med en bergig geografi och spridda naturresurser (t.ex. gruvprodukter och vattenkraft), och som därför naturligt inhyser ett stort antal perifera och otillgängliga så kallade en-industristäder. På grund av de här förhållandena har Norge haft all anledning att utveckla en fungerande strategi för att göra dessa typer av städer ekonomiskt hållbara i det långa loppet.

Till skillnad från till exempel Storbritannien, som öppnade marknaden för att locka utländska investeringar, beslutade de norska politikerna under 1980-talet att de små och perifera samhällena i Norge inte har möjlighet att stå sig den globala konkurrensen om investeringar. Istället utarbetades en strategi som innebär en kontinuerlig omstrukturering av de regionala ekonomierna i syfte att ständigt diversifiera dem, så att när den viktigaste industrin förr eller senare kollapsar finns det andra branscher kan ta över som försörjare av det lokala samhället. Den norska strategin innebär en hög grad av samarbete, delaktighet i beslutsfattande och konsensus om långsiktiga målsättningar med syftet att komma överens om allokeringen av resurser för situationer som kan uppstå i framtiden snarare än att endast möta kriser vartefter de dyker upp. Det här förhållningssättet står i direkt kontrast till det krisbaserade åtgärds paket som genomfördes i Sydösterbotten, en insats som huvudsakligen bestod av försök att locka ersättande industrier.

I studien undersöktes de lokala och regionala strukturerna i respektive land, samt lagstiftning om förfaranden för omstrukturering. Dessutom har tretton intervjuer med nyckelaktörer i omstruktureringsprocessen i Kaskö och Sydösterbotten utförts. Två huvudsakliga skillnader identifierades mellan den norska ideala modellen och fallet Sydösterbotten: 1) omstrukturerings-insatserna genomförs på regional nivå i Norge, medan den administrativa strukturen i Finland betonar det kommunala självstyret, 2) norsk lagstiftning tvingar företaget i fråga att ta ansvar för samhället det är verksamt i och uppmuntrar även gemensamma åtgärder mellan de berörda aktörerna. I allt väsentligt saknas en liknande lagstiftning i

Finland. Som en följd av de här förhållandena måste en lång rad aktörer, däribland ett antal små kommuner i Kaskös närhet, snabbt nå en överenskommelse om insatserna i omstruktureringen när nedläggningen i Kaskö inträffade. Om den norska modellen varit närvarande hade det inte spillts tid på dispyter mellan kommunerna, då omstruktureringen genomförts på regional istället för kommunal nivå, samtidigt som tanken med den kontinuerliga omställningen är att överenskommelserna så att säga redan är gjorda då katastrofen väl sker.

I Sydösterbotten tillät det finska systemet att företaget agerade självviskt och att grannkommunerna lämnade Kaskö åt sitt elände. Samarbetssvårigheter mellan kommunerna i Sydösterbotten har varit vanliga genom historien, främst på grund av språkskillnader och starka lokala kulturer, med misslyckade försök att bilda en gemensam näringslivsutvecklings-organisation som det kanske mest iögonfallande exemplet. Konkurrensen om skattebetalare mellan kommunerna föredrogs i det studerade fallet framför gemensamma omstruktureringsåtgärder på det sättet att kommunerna vägrade att inrätta en gemensam organisation eftersom de insatser som organisationen genomför lika väl kan riktas till den andra sidan av den kommunala gränsen. På det här sättet saknade Sydösterbotten den beredskap en struktur inriktad på långsiktig och kontinuerlig omstrukturering visar upp.

Artikeln visar först och främst de negativa effekter som beskrivs i den ekonomiska litteraturen som en följd av bristen på samarbete. För det andra visar artikeln de demokratiska konsekvenserna av rigiditeten i ett system som endast tillåter kommunala och nationella arenor för handling. När huvudaktörerna består av små kommuner kan dessa spelas ut mot varandra, och å andra sidan, om kommunerna blir större, försvinner de lokala verksamhetsarenorna. Således visar resultaten i den här artikeln på nödvändigheten av att ge rum för funktionella strukturer i enlighet med lokala förhållanden och specifika verksamheter, allt i enlighet med karaktären på governance-nätverk.

Den fjärde artikeln undersöker Karleby-Jakobstads-regionen, en fallstudie som beskriver det sätt på vilket en dynamisk innovationsmiljö möjliggörs i en perifer region genom en differentiering av både kunskapssystemet och det politiska systemet. Systemet för innovation i regionen skildras genom utvecklingen av

teknologicentret KETEK, en organisation som började som en liten forskningsenhet i det tekniska läroverket på 1980-talet, och utvecklades sedan steg för steg till en central aktör för forskning och utveckling i regionen. Intervjuer med regionala aktörer, företagsrepresentanter och KETEK-personal samt ett antal strategiprogram och årsredovisningar utgör den empiriska grunden för denna studie. Europeiska Unionens Smart Specialiseringsprogram utgör ett teoretiskt ramverk för artikeln, med dess betoning på de begreppen *Mode 3 Knowledge Production System*, *Quadruple Helix Innovation system* och *related variety*. Begreppen används för att förstå dynamiken i innovationssystemet kring KETEK.

Det främsta syftet med artikeln är att beskriva hur en liten perifer region, som saknar stora kunskaps- och forskningsorganisationer, kan inhysa ett vitalt innovationssystem som starkt gagnar den regionala ekonomin. KETEK och Karleby-Jakobstad-regionen uppvisar likheter med begreppet *Mode 3*, som innebär en förekomst av externa anslutningar till nationella och globala innovationsnätverk i kombination med ett nära samspel mellan regionala aktörer, företag och kunskapsorganisationer, och på det sättet kopplas olika typer av kunskap och innovationsmodeller samman. Huvudsyftet med artikeln är att visa på vilket sätt en perifer region som saknar eget universitet kan stå sig i den globaliserade ekonomin genom att skapa en medlande organisation för forskning och utveckling. En fråga som artikeln försöker besvara är om en regional aktör kan påverka regionens kreativitet och innovationsbenägenhet genom att den så kallade fjärde helixen. Artikeln hävdar för det första att effekterna av den fjärde helixen, det vill säga omgivningen som Triple helix verkar i, är mer påtagliga i en perifer region som saknar universitet än i storstadsregioner, där starka kunskapsorganisationer och företag i större utsträckning kan agera utan hänsyn till det samhälle det är verksamt i. Det andra argumentet artikeln framför är att vissa att förändringar i den fjärde helixen kan öppna Triple helix-aktörerna mot varandra med syftet att främja utvecklingen av innovationer. Följaktligen, och i motsats till den tredje artikeln, visar den fjärde artikeln på vikten av samarbete för gynnsam ekonomisk utveckling. Karleby-Jakobstadsregionen och KETEK är ett fall där en rad aktörer är sammankopplade och på det sättet möjliggör att olika kunskaps typer tillåts interagera. Om man tittar på den demokratiska aspekten visar fallet hur arenor för samarbete konstrueras enligt funktionella behov, utan

hänsyn till kommunala eller regionala gränser, särskilt när man beaktar det faktum att den regionala gränsen mellan regionerna Österbotten och Mellersta Österbotten korsar Karleby-Jakobstadsregionen.

Efter den ekonomiska krisen som startade i USA år 2008 har en ökad styrning av ekonomin hamnat på agendan igen efter tre årtionden av nyliberal hegemoni i den ekonomiska litteraturen. På vilket sätt den här styrningen skall genomföras finns det dock ingen enighet om. De empiriska fallen i den här avhandlingen föreslår att den politiska styrningen i den globaliserade post-fordistiska ekonomin bör utgå från de lokala samhällena. Metagovernance är den mindre radikala metod som föreslås för att ge governance-nätverken legitimitet, och begreppet erbjuder en lång rad verktyg som till olika utsträckning ger det representativa systemet möjligheter att styra nätverken. Om och när dessa verktyg väljs och tillämpas måste förtjänsterna med de nya typerna av demokratiskt och ekonomiskt handlande som beskrivits i avhandlingen beaktas, i synnerhet möjligheten till anpassning av besluten till lokala förhållanden, aktiveringen av det civila samhället och främjandet av ett aktivt, integrerat och innovativt lokalt samhälle. Här rör det sig om känsliga kvaliteter som lätt försämras om kontrollen är för hård – och följaktligen krävs försiktighet när metagovernance-verktyg väljs ut och används. Den uppsättning verktyg som väljs måste även vara specifik för sammanhanget, platsen och den särskilda aktiviteten. Å andra sidan föreslår mer radikala post-liberala teorier mer autonoma funktionella nätverk, där de nämnda känsliga kvaliteterna förblir orörda, och utmaningen blir istället att finna legitimitet i ett utbrett deltagande av intressenter och verksamhetens offentlighet. På frågan om de radikala eller mer försiktiga lösningarna är rätt väg att gå ger inte den här avhandlingen svar på, utan det blir ett föremål för framtida forskning.

Omständigheter som påpekats i denna avhandling tyder på att vi nu befinner oss i en övergångsperiod, där det samhällssystem som skapats i kölvattnet av den andra industriella revolutionen är föråldrat och behöver anpassas till den globaliserade, digitaliserade verkligheten för att fortsätta vara funktionellt och legitimt i framtiden. Medan jämställdheten minskar i västvärlden, ökar missnöjet med det politiska systemet och populistiska rörelser får fart. En återgång till en ekonomi som underordnas demokratisk kontroll i linje med den Keynesianska modellen

innebär i viss mån ett återställande av slutna nationella ekonomierna, och därmed också en stark tillbakagång av globaliseringen. Dock förhåller det sig så att både människor och den moderna teknologin verkar på den globala arenan idag, snarare än den nationella, och följaktligen kan nog inte historien vridas tillbaka i det här fallet heller. För att hitta en arena för styrning av ekonomin i en globaliserad värld måste vi istället fokusera på de lokala samhällena. Studiens teoretiska och empiriska presentationer har syftat till att demonstrera den stora potential som finns gömd i deltagande och funktionellt konstruerade lokala och regionala arenor.

References

- Adcock Robert, Bevir Mark, Stimson Shannon (2007). "Historicizing the New Institutionalism(s)" in Robert Adcock, Mark Bevir, and Shannon C. Stimson (Eds.) "Modern Political Science: Anglo-American Exchange Since 1880", Princeton University Press.
- Amin & Thrift 1994, Living in the global. In Amin and Thrift (Eds) *Globalisation, Institutions and Regional Development in Europe*, Oxford University Press.
- Amin & Thrift 1995, Globalisation, Institutional "Thickness" and the local Economy, in Healey Patsy, Cameron Stuart, Davoudi Simin, Graham Stephen, Madani-Pour Ali (Eds) *Managing Cities – The New Urban Context*, University of Newcastle upon Tyne, UK.
- Asheim, Bjørn (2001), Learning Regions as Development Coalitions: Partnership as Governance in European Workfare States? in *Concepts and Transformation. International Journal of Action Research and Organizational Renewal*, 6, 73-101.
- Asheim, Bjørn, Boschma, Ron, Cooke, Philip (2011a). Constructing regional advantage: Platform policies based on related variety and differentiated knowledge bases. *Regional Studies Special Issue: Regional Innovation Systems: Theory, Empirics and Policy*, Volume 45, Issue 7.
- Asheim, Bjørn, Moodysson, Jerker, Tödttling, Franz (2011b). Constructing regional advantage: Towards State-of-the-Art Regional Innovation System Policies in Europe? *European Planning Studies* Vol 19, No. 7.
- Beck Ulrich, Giddens Anthony, Lash Scott (1994), *Reflexive Modernization. Politics, Tradition and Aesthetics in the Modern Social Order*. Stanford University Press.
- de Beus, Jos (2011), Audience Democracy: An Emerging Pattern in Brants Kees, Voltmer Katrin (Eds) *Postmodern Political Communication in Political Communication in Postmodern Democracy* Palgrave Macmillan, Hampshire.

- Bevir, Mark (2010), *Democratic Governance*, Princeton University Press, Princeton.
- Boltanski, L., Chiapello E. (2007), *The New Spirit of Capitalism*. London: Verso.
- Brynjolfsson & MacAfee (2014), *The Second Machine Age – Work, Progress, and Prosperity in a Time of Brilliant Technologies*, W. W. Norton Company, New York.
- Callahan John, Lasry Eytan (2004), The importance of customer input in the development of very new products in *R&D Management* 34, 2, Blackwell Publishing Ltd.
- Castles Stephen, Arias Cubas Magdalena, Kim Chulhyo, Koletth Elsa, Ozkul Derya, Williamson Rebecca (2011), *Karl Polanyi's Great Transformation as a Framework for understanding Neo-Liberal Globalisation*, Social Transformation and International Migration in the 21st Century, Working Paper 1, The University of Sidney.
- Chesbrough, H.W. (2003). *Open Innovation: The new imperative for creating and profiting from technology*. Boston: Harvard Business School Press.
- Colletti, Lucio (1968), *Bernstein e il marxismo della seconda internazionale, prefazione a Bernstein 1895*.
- Cord, David J. (2014) *The Decline and Fall of Nokia*, Schildts & Söderströms, Helsinki.
- Crouch, Colin (2011 [2005]), *Post-democracy*, Gius, Laterza, Rome, Swedish Edition in 2011: *Postdemokrati*, Bokförlaget Daidalos AB, Göteborg.
- Damgaard, Bodil, Torfing, Jacob (2011) The Impact of Meta-governance on Local Governance Networks: Lessons from Danish Employment Policy, *Local Government Studies*, 37: 291-316.
- Dryzek, J. S. (2000). *Deliberative democracy and beyond. Liberals, critics, contestations*. Oxford: Oxford University Press.
- Etzioni, A. (Ed). (1995). *New communitarian thinking: Persons, virtues, institutions, and communities*. Charlottesville: University Press of Virginia.

- Florida, Richard (1995), Toward the learning region in *Futures*, 27, 5, 527-536.
- Florida, Richard (2002). *The Rise of the Creative Class: And How It's Transforming Work, Leisure, Community, and Everyday Life*. Cambridge, MA: Basic Books.
- Freeman Chris, Louca Francisco (2001), *As Time Goes By: From the Industrial Revolutions to the information Revolution*, Oxford University Press, UK.
- Fung, A., & Wright, E. O. (Eds.). (2003). *Deepening democracy*. London: Verso.
- Giddens Anthony (1994), *Beyond left and right : the future of radical politics*, Cambridge : Polity Press.
- Giddens, Anthony (1998) *The Third Way. The Renewal of Social Democracy*. Cambridge : Polity.
- Habermas, Jürgen (1984) *Theory of communicative action. Vol. 1, Reason and the rationalization of society*, Beacon Press, Cambridge.
- Halkier H., James L., Dahlström M., Manniche J. (2012), Knowledge Dynamics, regions and Public Policy in *European Planning Studies* Vol. 20, No. 11, November 2012.
- Halkier, Henrik 2012, Knowledge Dynamics and Policies for Regional Development: Towards a New Governance Paradigm in *European Planning Studies* Vol. 20, No. 11, November 2012.
- Hassink, R. (1998), *The paradox of interregional insititutional learning*. Science and Technology Policy Institute, Seoul, South Korea.
- Hiironniemi, Silja (2005) Networks and Governance in Finland, *Journal of Nordregio*, Vol (4) 2005: 19-22.
- Hiironniemi, Silja (2013), *Kuntien tehtävien kartoitus*, Valtiovarainministeriö 2/2013, Helsinki.

- Hirsch (1991), From the Fordist to the Post-Fordist State in Jessop Bob, Kastendiek Hans, Nielsen Klaus, Pedersen Ove K. (eds) *The Politics of Flexibility*, Edward Elgar Publishing Limited, Aldershot.
- Hirst, P. (1994). *Associative democracy: New forms of economic and social governance*. Cambridge, MA: Polity Press.
- Hirst, P. (2000). *Globalisering, Demokrati og det civile samfund*. Hans Reitzel Publishers, Copenhagen.
- Hood C., James O., Scott C. (2000) *Regulation of Government: Has It Increased, Is It Increasing, Should It Be Diminished?*, *Public Administration* 78 (2000): 283-304.
- Hudson, R. (1999), The learning economy, the learning firm and the learning region: A sympathetic critique of the limits to learning in *European Urban and Regional Studies*, 6, 1, 59-72.
- Jensen, M.B., Johnson, B., Lorenz, E., Lundvall, B.-Å. (2007) Forms of knowledge and modes of innovation, *Research Policy* 36: 680–93.
- Jessop (1991), The Welfare State in the Transition from Fordism to Post-Fordism in Jessop Bob, Kastendiek Hans, Nielsen Klaus, Pedersen Ove K. (eds) *The Politics of Flexibility*, Edward Elgar Publishing Limited, Aldershot.
- Jessop, Bob (1993), Towards a schumpeterian workfare state – preliminary remarks on post-fordist political economy in *Studies in Political Economy*, Vol 40: Post-Fordist States and Regional Blocs.
- Jessop, Bob (1994), Post-fordism and the state. In A. Amin (ed.) *Post-fordism. A reader*. Blackwell, Oxford, 251-279.
- Jessop, Bob (1997), Capitalism and its future: remarks on regulation, government and governance. *Review of International Political Economy*, Volume 4, Issue 3.
- Jessop, Bob. (2008) *State Power*, Polity Press, Cambridge.
- Jon Pierre (2000), *Debating Governance – Authority, Steering and Democracy*, Oxford University Press, Oxford.

- Kahila, Lakso, Suutari 2006, *The Role of Policy and Governance in European Peripheral Regions*, Ruralia Institute, University of Helsinki.
- Kondriatev, Nikolai (1926). *About the Question of the Major Cycles of the Conjunction*. *Planovoe Khoziaistvo*, 8: 167-81.
- Kristensen Peer Hull (2009), *Conclusions: Developing Comprehensive, Enabling Welfare States for Offensive Experimentalist Business in New Modes of Globalizing: Experimentalism Forms of Economic Organization and Enabling Welfare Institutions*, Helsinki School of Economics, Helsinki.
- Kristensen Peer Hull, Lilja Kari (2009), *New Modes of Globalizing: Experimentalism Forms of Economic Organization and Enabling Welfare Institutions*, Helsinki School of Economics, Helsinki.
- Levi-Faur David, Jordana Jacint (2005), *The Rise of Regulatory Capitalism: The Global Diffusion of a New Order in The Annals of the American Academy of Political and Social Science*, Vol. 598, March 2005, SAGE Publications, Thousand Oaks, London.
- Lewis Jane, Surender Rebecca 2004, *Welfare state change: Towards a third way?* Oxford University Press, Oxford.
- Lilja Kari, Laurila Juha, Lovio Raimo, Jääskeläinen Jari (2009), *Fighting for Global Mandates from Peripheral Regions of the Finnish Innovation System in Kristensen Peer Hull, Lilja Kari (Eds.), New Modes of Globalizing: Experimentalism Forms of Economic Organization and Enabling Welfare Institutions*, Helsinki School of Economics, Helsinki.
- Lorenz Edvard, Valeyre Antoine (2003), *Organisational Change in Europe: National Models or the Diffusion of a New "One Best Way"?* Paper prepared for the 15th Annual Meeting in Socio-Economics LEST, Aix-en-Provence, June 26-28.
- Lundvall Bengt-Åke (1996), *The Social Dimension of The Learning Economy*. DRUID Working Papers, No 96-1. Aalborg University, Aalborg.

- Madison James (1787-8) Federalist 10 in *The Federalist Papers*.
- Malmberg Anders, Maskell Peter (2006) Localized Learning Revisited in *Growth and Change* Vol. 37 No. 1 (March 2006), pp. 1–18.
- Manin, Bernard 2002, *Den representativa demokratins principer*, SNS Förlag, Stockholm.
- March, J. G. & Olsen, J. P. (1989). *Rediscovering institutions. The organizational basis of politics*. New York: The Free Press.
- March, J. G. & Olsen, J. P. (1995). *Democratic governance*. New York: The Free Press.
- Meuleman, Louise (2008), *Public Management and the Metagovernance of Hierarchies, Networks and Markets: The Feasibility of Designing and Managing Governance Style Combinations*, Physica, Heidelberg.
- Michels, Robert 1911, *Political Parties: A Sociological Study of the Oligarchical Tendencies of Modern Democracy*, Free Press, 1962 New York.
- Mouffe, Chantal (2000) *The Democratic Paradox*, Verso, London.
- Mouffe, Chantal (2005) *On the Political*, Verso, London.
- Mouffe, Chantal (2013) *Agonism*, Verso, London.
- Mariussen, Åge, Virkkala, Seija (2013) *Learning Transnational Learning*, Routledge, London.
- Nalebuff Barry, Brandenburger Adam (1996), *Co-opetition*. Doubleday/Currency, New York.
- Nonaka I. and Takeuchi H. (1995), *The Knowledge-Creating Company: How Japanese Companies Create the Dynamics of Innovation*, Oxford University Press, Oxford.

- National Institute for Working Life (1997), *Stronger partnership for learning region*. Stockholm.
- Norman H. Nie, Sidney Verba, John R. Petrocik 1979, *The Changing American Voter*, Harvard University Press, Cambridge.
- North D.C. (1994), Economic performance through time. *American Economic Review* 84(3):359-368.
- Osborne D. Gaebler T. (1992) *Reinventing Government: How the Entrepreneurial Spirit is transforming the Public Sector*, Addison-Wesley, Reading.
- Perez, Carlota (1983). 'Structural Change and the Assimilation of New Technologies in the Economic and Social System'. *Futures*, 15: 357-75. (1985).
- Peters Guy (2010), Meta-governance and public management in Osborne Stephen (Ed) *The New Public Governance? Emerging perspectives on the theory and practice of public governance*, Routledge, New York.
- Polanyi, Karl (2001), *The Great Transformation: the Political and Economic Origins of Our Time*. Beacon Press, Boston, MA.
- Porter M. E. (1998) Clusters and competition: new agendas for companies, governments, and institutions, in Porter M. E. *On Competition*, pp. 197–287. Harvard Business School Press, Boston, MA.
- Powell Walter W., Snellman Kaisa (2004), The Knowledge Economy in *Annual Review of Sociology* Vol. 30, (2004), pp. 199-220, Published by: Annual Reviews.
- Prättälä, Kari (2012), Hur gick det sen? Kommunreformen i Finland i stormens öga in *Nordisk Administrativ Tidsskrift* nr. 2/3/2012, Vol 89.
- Regional Council of Ostrobothnia (2013), *Region Ostrobothnia, background report for AMCER - Advanced Monitoring and Coordination of EU R&D Policies at Regional Level*.

- Rhodes, R.A.W. (1997) *Understanding governance: Policy Networks, Governance, Reflexivity and Accountability, Public Policy and Management*, Open University Press, Buckingham, Philadelphia.
- Rodrik, Dani (2011) *Globalization paradox : why global markets, states, and democracy can't coexist*, Oxford University Press, Oxford.
- Room, Graham (2005), *The European Challenge: Innovation, Policy Learning, and Social Cohesion in the New Knowledge Economy*, Policy Press, Bristol.
- Rose Lawrence (1996), *Kommuner och kommunala ledare I Norden*, Meddelanden från Ekonomisk-statsvetenskapliga fakulteten vid Åbo Akademi, Åbo.
- Sandel, M. J. (1996). *Democracy's discontent: America in search of a public philosophy*. Cambridge: Harvard University Press.
- Schumpeter, Joseph (1939). *Business Cycles: A Theoretical, Historical and Statistical Analysis of the Capitalist Process*. New York: McGraw-Hill.
- Stoker, G. (1998). Public Private Partnerships and Urban Governance, in: Pierre, J. (Ed) *Partnerships in Urban Governance: European and American Experience*. McMillan, London.
- Streeck, Wolfgang (2013), *Köpt tid. Den demokratiska kapitalismens uppskjutna kris*, Suhrkamp Verlag, Berlin.
- Sørensen, Eva (2012), Governance Networks as a Frame for Inter-Demoi Participation and Deliberation, in *Administrative Theory & Praxis*, vol. 34, No 4.
- Sørensen, Eva & Torfing, Jakob (2007) *Theories of Democratic Network Governance*, Palgrave Macmillan, Hampshire.
- Sjöblom Stefan, Andersson Kjell (forthcoming), The Prospects for Bridging Spatial and Institutional Divides. Findings on Rural-urban Relationships in a Projectified Governance.

- Tödting Franz, Asheim Bjørn, Boschma Ron (2013), Knowledge sourcing, innovation and constructing advantage in regions of Europe in *European Urban and Regional Studies* 20:161, Sage Publications.
- Westerlund, Lars (1989), *Statsbygge och distriktsförvaltning*. Åbo Akademis Förlag, Åbo.
- Vigoda E. (2002), From Responsiveness to Collaboration: Governance, Citizens, and the Next Generation of Public Administration, in *Public Administration Review* 62 (2002):527-540.
- Virkkala Seija (2008), Finnish Regions: After transition in Bukve Oddbjørn, Halkier Henrik, de Souza Peter (eds.) *Towards New Nordic Regions – Politics, administration and regional development*, Aalborg University Press, Aalborg.

Kenneth Nordberg

Reinventing the Third Way

Towards New Forms of Economic and Democratic Conduct

What is the role of politics in a globalized economy? Do ordinary citizens have any real influence when competition sets the rules of the game? Instances highlighted in this thesis suggest that the western world is in the midst of a transition, where the society systems created in the wake of the second industrial revolution are outdated and in need of adjustment to the globalised, digitised reality in order to stay relevant and legitimate. The thesis aim at reformulating the relationship between politics and the economy by reusing and reinventing the century-old concept The Third Way. The empirical basis consists of four articles studying governance and innovation systems in the peripheral region of Ostrobothnia in Finland.

In the academic literature of governance, the act of governing has been described as being gradually relocated out of the hands of the government into more or less flexible and ad hoc networks of stakeholders. The cause behind this shift is generally described as the increasing complexity of society, but may also be found in changes in the economic system, in the form of open innovation platforms and free trade, as well as in the social system, in the form of an increasing individualisation of people. The mismatch between the representative liberal democratic system and the globalised economy is described by the concept of audience democracy, while post-liberal democratic concepts are presented as solutions to these difficulties. Concurrently, the economic system is described as having evolved from Fordism to Post-Fordism, where bottom-up type of innovation systems are needed in the place of merely depending on top-down innovation systems with "big science" institutions.

Hence, in both strands of academic literature, increased inclusiveness and participation are viewed as beneficial, and may consequently be regarded as effective both economically and democratically. This blend of economic and democratic theory forms the foundation of the reinvented Third Way.

ISBN 978-952-12-3171-1



9 789521 231711

ISBN 978-952-12-3171-1