Danish Regions and the Europeanization of Regional Policy

Halkier, Henrik

Publication date:
1998

Document Version
Early version, also known as pre-print

European Studies
Europäische Studien
Etudes européennes
Estudios europeos
Europastudier

27

SERIES OF OCCASIONAL PAPERS

Danish Regions and the Europeanization of Regional Policy

Henrik Halkier

European Research Unit • Aalborg University

European Studies is a series featuring publications on European issues (cultural, communicative, economic, political), in a historical, contemporary and cross-cultural perspective. Further the series will comprise publications focussing on matters of interest to the history, structure and current development of the European community.

European Studies is published by the European Research Unit in collaboration with the Department of Development and Planning and the Department of Languages and Intercultural Studies at Aalborg University, Denmark.

Requests and orders for issues can be made to the following address:

European Research Unit
Aalborg University
Fibigerstraede 2
DK-9220 Aalborg O
Denmark

Phone: +45 96 35 80 80, ext. 9133
Fax: +45 98 15 11 26

ISSN 0906-0308

Contents

Tables

Figures

Abbreviations

ADTI	Agency for Development of Trade and Industry
ERDF	European Regional Development Fund
SME	Small and Medium-sized Entreprise
TIC	Technology Information Centre

Where's the meat?*

The position of nation states in the late 20th century has been perceived as increasingly exposed by many observers of Western Europe. The expanding powers of both supra- and subnational actors would appear to produce a double-squeeze situation in which nation states are being challenged simultaneously by the institutions of the European Union from above and by a plethora of regional institutions from below. Some have even argued that the supra-national level has played an important part in promoting the position of subnational government vis-à-vis the nation states, pointing to e.g. the rhetoric of "Europe of the Regions", the principle of subsidiarity, the setting up of the Committee of the Regions, and the mandatory inclusion of regional actors in the administration of the Structural Funds.[1]

At first glance the changing role of regional government in spatial economic policy in Denmark would seem to be an excellent example of a national government being squeezed by supra- and subnational actors. In the 1970s regional policy was the exclusive domain of national government operating a set of subsidy programmes intended to boast economic development in designated geographical areas with relatively high levels of unemployment. In stark contrast to this all central government incentive schemes have been terminated in the 1990s and the main components of spatial economic policy are now a host of regional and local initiatives supplemented by the programmes of the Structural Funds. Moreover, regional and European initiatives are often mutually dependent, and thus a picture can be construed of regional policy in Denmark as a classical (i.e. *not* Danish-style open) sandwich in which cooperation between supra- and subnational actor have succeeded in removing what was originally supposed to be an essential part of the whole thing, namely the filling between the bread. From this perspective Europeanization of regional policy would in other words appear have been an important factor behind a wide-ranging decentralization of spatial economic policy in

---

* This text is partly based on work undertaken as part of a comparative research project conducted in conjunction with the European Policies Research Centre, University of Strathclyde, Glasgow. Earlier versions of the argument have benefited from suggestions from workshop participants in Helsinki, Frankfurt/Oder, Aalborg and Grenaa, and from the lucid and sceptical comments of Staffan Zetterholm and Charlotte Damborg of Aalborg University's European Research Unit. Full responsibility for the final version of the text rests, as ever, with the author.

1 See e.g. Smith 1991, Hedetoft 1992, Keating 1992, Hooghe & Keating 1994, and Keating & Loughlin 1997.

Denmark and hence have affected the relative position of central government vis-à-vis subnational actors, especially regional government.

There are, however, several reasons why this 'sandwich perspective' on Danish regional policy should be treated with caution. Firstly, the assumption that the three tiers of government can be seen as independent of one another is open to challenge from a general theoretical perspective, and particularly in a field where inter-tier collaboration in programmes and projects is widespread the notion that European, national and subnational policies are inherently in competition could well turn out to be difficult to sustain. Secondly, it is necessary to establish more precisely the extent to which recent changes have actually increased the influence of regional actors in spatial economic policy. If the involvement of subnational actors in the policy process amounts to little more than administering the preferences of either the European Commission or national government, then the degree of regional empowerment will be limited.[2] And thirdly, if it can indeed be demonstrated that the influence of Danish regions on spatial economic policy has increased significantly since the 1970s, then the question of the political dynamics behind this change remains to be investigated. Decentralization of decision-making capacity may occur for a variety of reasons of which pressure from the European level is only one: other obvious candidates would be mobilization on the regional level or voluntary relinquishing of responsibility by central government for reasons of e.g. a party-political nature.[3]

The aim of this paper is to examine the transformation of regional policy in Denmark from the perspective of political decentralization and Europeanization in order to 1) establish to what extent recent changes have increased the capacity of Danish regions to pursue their own agendas with regard to economic development, and 2) discuss the possible role of the European level in the process of regionalisation of spatial economic policy.

The text is divided into three parts. The following section provides a brief outline of the analytical framework, based primarily on contributions from traditions within policy analysis, network theory and the new institutionalism. The main body of the text examines the changing face of spatial economic policy in Denmark, dealing in turn with the development of policies and initiatives emanating from the national, European and regional levels respectively, and assessing their implications for the relative influence of

---

2 This is a well-known theme in the literature on policy analysis (see e.g. Hogwood & Gunn 1986 and Rhodes 1988), which has also been employed in the analysis of the operation of the Structural Funds (e.g. Conzelmann 1995).

3 See e.g. Marks *et al.* 1996, Bullmann 1996, Keating 1992, 1997.

the different levels of government involved. Finally the origins and political dynamics of what can be shown to be a considerable degree of decentralization are discussed, especially with regard to the possible role of the European level in the process.

It should be noted that this paper only deals with policies that have the intention of promoting one or more regions at the expense of other regions by strengthening the competitiveness of its firms or its economic infrastructure. This means that not any form of economic policy that affects different regions differently will be covered, and that other forms of redistributive policies such as e.g. national welfare programmes have been excluded.

The Analytical Approach

The relationship between different tiers of government has been studied from a variety of spatial perspectives, and thus it will be possible to draw upon inspiration from a range of existing, and not entirely unrelated, bodies of literature.

On the *European level* Gary Marks and his collaborators have criticized what has been labelled the 'state-centric' interpretation of European integration according to which national governments are seen as the ultimate decision-makers in the EU, despite having delegated authority to supra-national institutions in certain areas.[4] Instead Marks has argued in favour of a 'multi-level governance' approach, stressing that although states are still the most important actors in Western Europe, "decision-making competencies are shared by actors at different levels rather than monopolized by state executives".[5] It is therefore necessary to avoid focusing on a reified 'state interest' and instead adopt an 'actor-centred' approach that specifies the role of particular actors and institutions in the decision-making process. Various aspects of European integration have been analyzed from this perspective, confirming the growing interdependence of various tiers of government.[6]

On the *national level* parallel arguments can be found in the 'Power-Dependence' approach developed by Rob Rhodes as an alternative way of understanding the relationship between central government on the one hand and sub-central public bodies

---

4 The argument is presented in Marks *et al.* 1996 and Marks 1996.

5 Marks *et al.* 1996 p 346.

6 See e.g. Marks 1996a and Hooghe 1996.

on the other.[7] While traditional interpretations often emphasized the status of e.g. local authorities as creatures of central government, Rhodes stressed the mutual dependency of different tiers of government based on their respective control of resources that are of importance to the development and implementation of public policy. Like Marks in his polemic against the state-centric approach, Rhodes refuses to give priority to one particular type of resources - constitutional or legal authority - at the expense of e.g. informational or organizational sources of influence.

Finally, the recent growth in studies focusing on *policy networks* was also partly a reaction against a 'reductionist' approach to the study of government and public policy, namely what was seen as the unduly rigid polarization between corporatist and pluralist perspectives on the relationship between government and interest organizations.[8] A series of attempts were made to develop an approach that recognized that "policy-making includes a large number of public and private actors from different levels and functional areas of government and society" exchanging "information, expertise, trust and other policy resources".[9] Although the approach was originally developed to deal with policy sectors within national polities, it can clearly also be applied to policy networks with an international dimension such as e.g. the European Structural Funds.[10]

The three positions outlined above would not only seem to share the intention of avoiding centralist or one-dimensional perspectives on policy-making, but have also developed analytical approaches that move along parallel lines, focusing on institutions and their mutual resource dependencies in a historical context. Taking the so-called 'new institutionalism' as its point of departure,[11] the conceptual framework of this text incorporates perspectives from earlier studies of networks, institutions and policy-making in spatial economic policy.[12]

As can be seen from Table 1, three levels of analysis are involved in the study of organizational relations in policy-making, looking respectively at the individual

---

7 See Rhodes 1988.

8 See e.g. Jordan & Schubert 1992, van Waarden 1992, Hanf & O'Toole 1992, and Rhodes & Marsh 1992.

9 Jordan & Schubert 1992 pp 11f.

10 Examples of this are Conzelmann 1995 and Heinelt & Smith 1996.

11 The institutionalist approach informing this paper is inspired by economists such as North (1991) rather than political scientists March & Olsen (1984), cf the discussion in Halkier 1996. While Marks 1996 explicitly refers to North and the 'new institutionalists', the enthusiasm of Rhodes (1995) is much more guarded.

12 Notably Halkier & Damborg 1997, and Halkier 1996. As argued in the former, the seminal work of Rhodes can be further developed by drawing upon contributions to burgeoning literature on networks, notably Thorelli 1986, Gustaffson & Seemann 1985, van Waarden 1992, and Heinelt & Smith 1996.

Table 1. Inter-organizational relations and policy-making: An analytical framework

Level of analysis	*Dimensions*	*Sub-dimensions*
Organizational	Domain	Territory Function
	Strategies	Policies Inter-organizational
	Resources	Authority Finance Information Organization
Inter-organizational	Bargaining Exchange	
Multi-organizational	Integration	

Source: Adapted from Halkier & Damborg 1997.

government organization, its relationship with other actors, and the way in which the whole area of activity is being coordinated.[13]

For each organization three dimensions are seen as crucial, namely the domain it occupies, the strategies pursued in relation to its environment, and the resources at its disposal.

Domain is central to most organizations because their raison d'être is to perform certain tasks and operate in a particular geographical setting, and the multi-tier and territorial nature of political governance in Western Europe ensures that domain-oriented conflicts can enter the policy process at many points.

The *strategies* of an organization are an obvious object of study, being the general guidelines according to which resources are employed to influence its environment. Many authors have stressed the significance of inter-organizational strategies, i.e. how an organization attempts to conduct its relations with other organizations,[14] but in order to understand the risk of inter-organizational rivalry the potentially diverging strategies in relation to the target group for a particular policy must be taken into account as well because e.g. their goals or policy instruments are perceived as being incompatible.

Resources are the means by which an organization maintains itself and influences

13 For a detailed version of the following argument, see Halkier & Damborg 1997. Although the spatial scale was smaller - the paper attempted to develop an analytical framework for studying the interaction between public development bodies within a region - the basic concerns were similar.

14 E.g. Rhodes 1988, van Waarden 1992, Gustaffson & Seemann 1985.

its surroundings. Commanding resources is intimately linked to the potential for exercising power,[15] either by employing them as policy instruments vis-à-vis private actors or as means of linking up with other organizations to achieve specific goals, and therefore establishing the position of each organization in this respect is a crucial, but by no means uncomplicated, task. The text follows a typology developed in an earlier study of policy instruments in that it distinguishes between four basic resources: authority, information, finance and organization.[16] Apart from any intrinsic theoretical advantage this may have, stressing the similarities between policy instruments and inter-organizational relations also underlines the fact that establishing e.g. networks or new organizations may be a substitute for direct policy implementation (or vice versa) because the basic resources involved are the same.

The inter-organizational relationship between public bodies will be studied from two perspectives: the way the bargaining process is conducted and the resulting exchange of resources. The written and unwritten rules governing the exchange are placed under the heading of *bargaining*, i.e. the way interaction is formally institutionalized and guided by informal conventions of conduct. The *exchange* dimension denotes the outcome of concrete processes of bargaining, in other words what types of resources are involved, in what directions they flow, and the resulting overall balance. Obviously assessing the exchanges taking place will give important information about the nature of the underlying mutual dependencies and the success or otherwise of the strategies adopted by individual organizations.

The multi-organizational dimension refers to the way in which activities are *integrated* and coordinated, i.e. relations of power and dominance between public bodies and tiers of government in a particular field of public policy.

The conceptual framework summarized in Table 1 should in other words be able to capture key aspects of the relationship between different tiers of government in the process of policy-making, both with regard to conflicts and inter-dependencies, and thus have taken the starting point for the analysis beyond the somewhat simplistic 'sandwich perspective'. This claim will, hopefully, be borne out by the ensuing empirical analysis of the changing role of the Danish regions in spatial economic policy and the ongoing process of Europeanization.

---

15 For a discussion of resources, power and policy instruments, see Halkier 1996 pp 47-62.

16 Halkier 1996 pp 57ff.

Regional Policy and the Danish Regions

Given the high level of inter-tier collaboration in the field of regional policy, the picture drawn is bound to be a complex one. In the following, the analysis is organized according to the tier of government from which a particular programme originates, i.e. a combination of spatial coverage and political institutions. In practice this means that programmes initiated by central government applying to only to Denmark will be discussed under the heading of national policies, the supra-national Structural Funds of the EU are discussed under the heading of European policies although they are implemented through specific national and regional programmes, and initiatives developed by regional authorities for their particular locality is covered under the heading of regionally-based policies.

For each of these three levels, the analysis begins by an outline of the development of policies from the 1970s to the late 1990s, followed by an assessment of the changing patterns of influence for various actors and tiers of government (e.g the role of regional government in European programmes, or that of national government in regionally-based initiatives).

National Policies

It has become generally accepted that recent decades have marked a profound change of paradigm in regional policy in the affluent parts of Western Europe:[17] the traditional central government programmes providing financial subsidies to boost investment in designated problem areas have become less important, and instead more emphasis has been given to European and regional programmes. The development of national-level regional policies in Denmark could be interpreted as a particular radical version of this change because all central government regional grant schemes were abolished as of January 1st 1991, and thus the distinction between 'before' and 'after' plays a major role in the following.

Given the unitary nature of the Danish political system, it is hardly surprising that overall responsibility for regional policy rests with national authorities and is subject to national legislation. From the beginning national programmes have been part of the remit of the government department responsible for trade and industry, and in 1967 Regional Development Directorate was established, acting as secretariat for a tripartite Regional Development Committee to which effectively all grant decisions had been transferred. Although limited financial support was given to tripartite development commissions

17 See Stöhr 1989, Albrechts & Swyngedouw 1989, Martin & Townroe 1992, Bachtler 1993, and Halkier & Danson 1997.

working in disadvantaged areas, administration of the grant schemes was firmly centralized and did not involve input from the regional level.[18]

From the late 1950s till the early 1980s, the proclaimed objective of regional policy was to promote equality between different parts of Denmark with regard to economic welfare, especially between the urban centres and the rural peripheries. Intervention was in other words justified mainly in the name of social equity, although economic arguments about avoiding congestion in and around the capital of Copenhagen were also invoked, albeit far less frequent and prominent.[19] From the mid-1980s the case for a national regional policy has been put primarily in economic terms, its *raison d'être* being mobilization of indigenous regional resources in support of the general attempt to improve the international competitiveness of Danish firms.[20] The regional problem is in other words no longer defined as imperfect equality in spatial and social terms, but rather seen as uneven spatial distribution of less competitive firms and industries.

Direct subsidies to individual firms were the mainstay of central government regional policy from 1958 till 1990, and the first decade saw a gradual introduction of an array of schemes targeting primarily individual firms (company soft loans, investment grants) but also local authorities (soft loans for construction of industrial property). Subsidy schemes gradually became more selective by excluding industries operating in 'strained' markets, and from 1988 selectivity was also introduced with regard to project types when priority was given to support for new plants, new lines of production within existing plants, or the first major expansion project of an SME. Area designation was only introduced as part of the national policy set-up in 1967, and till the beginning of the 1980s the assisted areas maps were relatively comprehensive. Since then coverage has been gradually reduced, partly because of pressure from the European Commission, and currently designated areas only comprise around 20 percent of the total population.[21]

Expenditure is a convenient measure of changing levels of activity within a policy areas involving financial subsidies, albeit not uncomplicated to interpret.[22] As can seen from Figure 1,[23] since at least the late 1970s the dominant trend in central government

---

18 A detailed analysis is given in Bogason 1982.

19 Bogason 1982, Gaardmand 1988, Bogason & Jensen 1991.

20 Bogason & Jensen 1991, Erhvervsministeriet 1995.

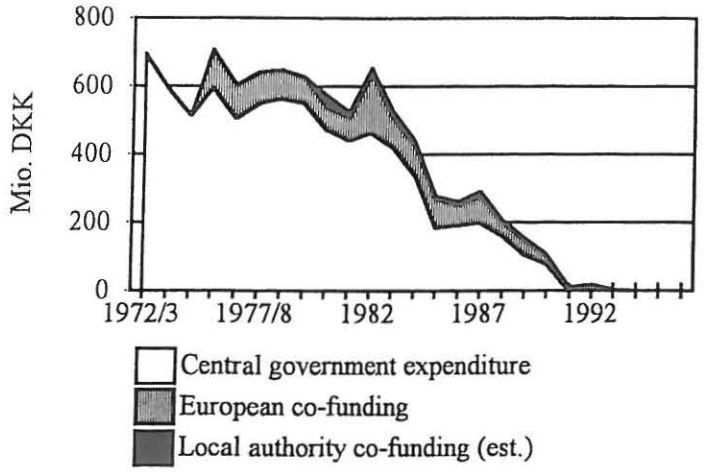
21 The development can be followed in the annual reports of the Regional Development Directorate and its successor organizations. Overviews are provided by Bogason 1982, Gaardmand 1988 and Industriministeriet 1990.

22 For a general discussion, see Hogwood 1992.

23 *Source:* Annual reports of the Regional Development Directorate 1981-88, Danish Government

(continued...)

Figure 1. National Policy Programmes
(expenditure by source, 1995 prices)



expenditure on regional policy would appear to have been one of decline, and especially in the mid-1980s the then centre-right government was routinely lambasted by the Social Democratic opposition for downgrading the support available for productive investment in the weaker regions.[24] The most dramatic reduction in expenditure, a 59% fall in real terms from 1982 to 1985, is, however, largely an illusion created by accountancy conventions that do not take repayment of loans into account buut focus on the direct outlays of central government. In this period grants gradually replaced soft loans as the main policy instrument, and if one calculates the financial advantage experienced by the firms receiving support, what at first glance looks as a massice reduction turns out to make little difference.[25] When looking for the historical origins of the eventual demise of traditional central government regional grants, the turning point in expenditure terms must be located much later, i.e. around the year 1988.

Figure 1 also shows that national-level regional subsidy schemes were supported by both subnational and European means. While the involvement of local authorities was

---

23 (...continued)
Accounts 1989-95. *Note:* 1981-88 figures are commitments, 1989-95 figures expenditure.

24 See *Folketingstidende F* 1984-85, 466-79; 1986-87, 1298-1372.

25 Independent calculations by Yuill *et al.* (1992 Table 5.3) show the same trend as the official 'total subsidy values' reported in the annual reports of the Regional Development Directorate. According to the latter the difference in real terms between what looks as the 1982 peak and the 1985 actually amounts to an increase of 3%.

limited in financial terms,[26] the European contribution was more sizeable. Some of the latter was simply counted as a general reimbursement of Danish government expenditure, but most of it was used to establish a soft-loan programme on terms corresponding to that of the existing regional soft-loans scheme.[27] Given the low subsidy value of such programmes[28] and the generally relatively low level of expenditure on national-level regional programmes in Denmark compared to other European countries,[29] it would, however, be reasonable to assume that the continuation of national programmes cannot have been contingent on co-funding from other tiers of government.

For reasons that will be explored later in this paper, the regional subsidy schemes operated from the national level ceased to exist by the end of 1990, and from 1991 onwards the role of central government in regional development was significantly different from what it used to be. In addition to various functions in relation to European programmes and regional initiatives to be discussed below, the most important task of central government has been to continue to ensure access to business and technological services also in disadvantaged regions,[30] and the national network of regionally based Technology Information Centres (TICs), established already in 1971 as part of an attempt to modernize central government business support and technology policies, has sometimes been heralded as a new form of national-level regional policy.[31] There is, however, no preferential treatment built into the TIC system,[32] and the only spatial aspect of the network would seem to be that new and advanced services are being made available also in disadvantaged regions far from the centres of research in Copenhagen and the major cities. From the perspective of industrial policy this is of course in itself no mean achievement, but it would seem to represent a deconcentration of the delivery of national business services rather than a spatially selective policy akin to the pre-1991 subsidies that

---

26 Central government loans towards bespoke industrial property only covered 75% of the investment while the remaining 25% was financed by the local authority in which the development took place.

27 It is interesting to note that the soft-loans scheme sponsored by the EU through the European Investment Bank continued after the national programmes had been terminated. This may partly reflect accountancy conventions (the change from commitments to expenditure as of 1989) but could also suggest a suddenness in the demise of the national programmes.

28 Cf the discussion above in note 25.

29 Total expenditure on central government regional policy programmes averaged only 0,018% of GDP in the years 1980-90. This puts Denmark near the bottom of the regional expenditure league table in Western Europe on less than a quarter of the average levels in e.g. Germany, Britain and the Netherlands in the same period (calculated on the basis of Yuill *et al.* 1996 table 5.6).

30 A clear programmatic statement can be found in Erhvervsministeriet 1995.

31 See e.g. Erhvervsministeriet 1995.

32 For an introduction, see Bogason & Jensen 1991 and Jensen 1994.

were only available in certain designated areas.

In addition to these forward-looking measures, a system of fire-fighting has been put in place through which local areas experiencing the effects of industrial restructuring can be supported.[33] The Industrial Development Act gives the Minister for Trade and Industry the right to give discretionary and temporary support to industrial development projects in specific locations, especially to cushion the impact of large industrial closures, and in 1996 the so-called Notification Pool was established, providing funding for new local initiatives in e.g. training or business advice in localities threatened by major redundancies.

As suggested by Figure 1,[34] total expenditure on national initiatives for regional economic development has turned out to be limited after 1991, and as their degree of spatial redistribution is limited, it seems reasonable to conclude that the transition to the new policy regime involved a significant reduction in the attempts of central government to directly influence the distribution of economic activity across the face of the nation.

It should, however, also be noted that traditional central government regional subsidies could in theory be reintroduced at short notice, because a Danish map of Assisted Areas continues to be produced by ADTI, the body into which the Regional Development Directorate has now been incorporated, and approved by the European Commission. The latest revision for the period 1997-99 has been approved by the Commission, resulting in the inclusion of two additional districts and pushing the total coverage up from 19,9 to 20,2 per cent of the total population, but as no applications for regional assistance are currently accepted, the main importance of the national map is to establish the possibility of giving financial support to individual firms in problems regions without being in breach of EU regulations, especially when providing matching funding in connection with Structural Fund programmes.[35] In practice a reintroduction of traditional grant schemes in aid of regional development would, however, at least for the time being, seem to be limited. The current principles informing regional policy and other forms of business support on the national level favour so-called 'framework measures' - e.g. advisory services and other collective support measures that do not involve direct financial transfers to individual firms - and this approach is supported by a broad parliamentary consensus stretching from the largest party left of the Social Democrats to

---

33 Arbejdsministeriet 1997, cf Susanne Johansen, personal interview 19.6.97.

34 [The next version of this paper will introduce a distinction between 'old' and 'new' policies and add the latter to the figure - the current version only covers 'old' policies and does not cover expenditure on e.g. the Notification Pool]

35 Yuill *et al.* 1998 cf Erhvervsfremmestyrelsen 1996.

Table 2. National policies for regional development in Denmark: Resources and levels of government

Input	*Authority*	*Finance*	*Information*	*Organization*
European	Increasing influence on designated areas and grant levels	Some co-funding from mid-1980s		
National	Latent since 1991 Consensus changing	Self-financing, from 1991 potential	Statistical surveys maintained	ADTI maintained
Regional		Limited co-funding		

the Conservative party right of the centre.[36]

Table 2 sums up the changing input of resources from the three levels of government implicated in national programmes for regional economic development, and it is of course immediately evident that the situation changed profoundly with the abolishing of traditional grant schemes in the early 1990s. In the original set-up national policies were a largely self-contained entity, financed and administered by central government, and given the relatively low level of expenditure, European regulations had a limited direct impact on its operation. With the introduction of a new approach central government disbanded its role as redistributor between the regions and, apart from a minor fire-fighting role in connection with major industrial closures, adopted a position in which the central elements were oversight and coordination of the policies of subnational actors and participation in the regional programmes of the Structural Funds, i.e. a situation in which central government activities depend on the preferences of other tiers of government to a very significant extent. Before exploring what inter-organizational strategies and other concerns might have driven central government to perform such an almost ideal-typical transition 'from government to governance',[37] it will be useful to consider developments on the EU and regional levels respectively.

---

36 Interestingly, the leftist Socialist Peoples Party was quick to embrace the new industrial policies of the centre-right government while the Social Democrats were the last major party to adhere to the new consensual view (see e.g. *Folketingstidende F* 1986-87, 8510-22). The return to government of the latter did, however, not herald any major changing in regional policies on the national level, cf the debate on the 1995 green paper on regional policy which essentially endorsed the new approach adopted in the early 1990s (*Folketingstidende F* 1995-96, 2713-26).

37 For an introduction, see Jørgensen 1993.

European Policies

Regional policy acquired a new dimension with the establishment of the European Regional Development Fund (ERDF), and the basic features of the development of its operation in Denmark do of course reflect the general direction in which these European programmes have moved, with the changes introduced by the 1988 reforms as a major watershed.[38] It is, however, also clear that the operation of the Structural Funds differs between the member states of the EU,[39] and it would therefore be surprising if the role of the Structural Funds in Denmark did not to some extent reflect the specific institutional set-up and political preferences.

Until 1988 regional policy on the European level was essentially a mechanism for redistribution between the member states, introduced in 1975 to accommodate especially British concerns about the financial implications of membership of the Community. Operating through a system of national quotas decided in the council of ministers, ERDF funding was employed either as an outright reimbursement of expenditure on national policy programmes (cf the discussion in the preceding section) or as co-funding of major improvements of the regional and local infrastructure. In Denmark the Structural Funds came to play a significant role only from the mid-1980s, because in the early years most of the European funds for regional development were spent on Greenland.[40] The Arctic dependency did, however, leave the EU in 1985, and from this point in time quite substantial sums became available for development projects in the continental parts of the kingdom. The Danish expenditure pattern was in line with that in other relatively prosperous member states: in the period from 1982 to 1987 most of the funds that were not simply counted as reimbursement of expenditure on national subsidy schemes was spend on projects upgrading the physical infrastructure (harbours, roads, etc.). Only from the mid-1980s did more innovative types of projects start to emerge, e.g. more advanced forms of infrastructure such as sector-based industrial parks or comprehensive regionally-based development programmes such as NordTek in North Jutland.[41] As in other member states central government played an important role in the administration of the Structural Funds prior to the 1988 reform, and the administrative arrangements reflected the existing division of labour in central government. The Regional Development Directorate became

---

38 For introductions to the development of the Structural Funds, see Staeck 1996 and Wishlade 1996.

39 This has been demonstrated by several comparative research projects, cf Conzelmann 1995, Heinelt 1996, Bachtler & Taylor 1997.

40 Erhvervsministeriet 1995 pp 19ff.

41 The development of ERDF prior to the 1988 reforms can be followed in some detail in the Annual Reports of the Regional Development Directorate, providing both aggregate financial information and lists of the projects supported.

responsible for ERDF matters, and although regional authorities were given the opportunity to indicate their preferences with regard to applications from their own area, the final decision rested with the Directorate.[42] All in all the combination of a fairly traditional policy profile and a centralized administrative procedures certainly suggests that the ERDF began its operation in Denmark as an extension to national policies rather than a separate programme with a distinct identity.

In the wake of the 1988 reform the position of the Structural Funds did, however, change quite substantially. The reform introduced a multi-year programme-based approach to regional policy and adopted partnership between the Commission, national government and subnational actors as a basic principle in the design and implementation of economic development measures. Under the new rules Denmark was allocated two Objective 2 programmes, targeting areas of industrial decline in North Jutland and Storstrøm respectively, and one Objective 5b programme, covering rural areas on a number of small and medium-sized islands. In the second round of programming, starting in 1994, the area covered by ERDF programmes was expanded significantly and now covered 15,3% of the Danish population while the budget allocation of European monies was nearly doubled to more than 200 mio. DKK in 1995.[43] Also the profile of Structural Funds projects in Denmark changed significantly: in the programming periods starting in 1994 support for so-called 'knowledge projects' - supporting capacity-building in firms with regard to e.g. research or marketing - is planned at 41%, while infrastructure projects and direct financial subsidies account for only 31% and 26% respectively of budgeted public expenditure.[44]

The introduction of the partnership principle has often been heralded as a measure that advanced the role of regional actors in the policy process,[45] but as the role of a particular tier of government may well differ in the various phases of the policy process,[46] a more detailed analysis capable of distinguishing between planning and implementation is needed.[47] In the planning stages of Structural Funds programmes the role of central government is primarily concerned with negotiating area designations and the proposed development strategies with the Commission, while the lead in the actual programme

---

42 Direktoratet for Egnsudvikling 1984 p 12.

43 Yuill *et al.* 1992 p 64; 1996 p 78.

44 Erhvervsministeriet 1995, table 3.3.

45 See e.g. Hooghe & Keating 1994, Bullmann 1996 and Keating & Loughlin 1997.

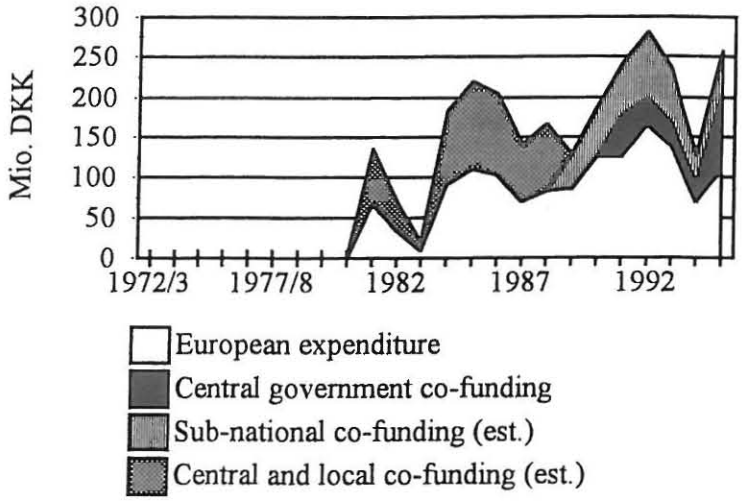
46 See Heinelt 1996 and Marks 1996a.

47 The general evolution of the institutional set-up of the Objective 2 programmes is analyzed in greater detail in Halkier 1997 and Damborg 1998.

formulation is to be found at the subnational level with regional government organizing a process of consultation with local government and private sector 'social partners', developing new policy initiatives and producing the draft version of the development programme for the region. In contrast to this the role of central government has merely been to ensure that strategic priorities are in accordance with basic principles of national policy, e.g. the current preference for framework measures, and although this has not yet resulted in the role direct subsidies to individual firms being outright terminated, their importance has gradually been reduced. Also in the implementation phase the role of central government has gradually become a limited one: although ADTI provides matching funding for subsidies to individual firms[48] and undertakes a formal appraisal of applications especially with regard to issues of legality,[49] the crucial early and substantive stages of project evaluation in which the economic, technical and organizational prospects of an application are assessed are now firmly situated on the regional level.

The partnership principle is also evident in the way in which ERDF programmes are funded, with sizeable contributions from both central government and subnational public bodies, as illustrated by Figure 2.[50] Although the structure of co-funding varies

Figure 2. European policy programmes (expenditure by source, 1995 prices)



48 Regional and local authorities are barred from giving direct financial subsidies to individual firms, cf the discussion below.

49 In the first Objective 2 programmes ADTI was directly involved in the substantive evaluation of projects both on a regional and national level, cf Halkier 1997.

50 *Sources:* Direktoratet for Egnsudvikling 1980-87, Industri- og Handelsstyrelsen 1988, Finansministeriet (continued...)

Table 3. European policies for regional development in Denmark: Resources and levels of government

Input	*Authority*	*Finance*	*Information*	*Organization*
European	Establish ground rules Increasing influence on objectives and strategies	Part-financing	European statistics	DG XVI
National	National procedures Negotiate with Commission Define strategic principles Decreasing role in approval of individual projects	Co-funding of subsidies to firms from 1988	National statistics	ADTI
Regional	Increasing since 1988 * strategic planning * processing of applications * recommendation of projects	Co-funding of infrastructure and framework measures	Regional statistics Knowledge of firms	Regional programme administrations

between different types of projects,[51] making national and/or regional/local co-funding a precondition for approval of Structural Funds programmes deliberately creates a mutual resource dependency between the three tiers of government involved.

Table 3 sums up the changing input of resources from the three levels of government implicated in European programmes for regional economic development, and it is of course immediately evident that the situation changed profoundly with the 1988 reforms of the Structural Funds. In the early years the ERDF essentially functioned as a mechanism of redistribution between EC member states that supported the existing regional policies of national governments, the transition to the new partnership-based approach certainly made a major difference in the case of Denmark. While the European Commission and the nation state still establish the basic spatial and financial delimitation of Structural Funds activities, substantive issues are primarily dealt with by subnational

---

50 (...continued)
1989-95. No data available for the period 1975-80, for all co-funding 1981-87, for national co-funding 1989-90, and for regional/local co-funding 1989-95. Pre-1988 estimates are based on the assumption that ERDF fund 50% of total project expenditure, and post-1988 estimate on the assumption that regional/local authority co-funding on average amounts to 50% of ERDF outlays, the average recorded in the Objective 2 programmes in North Jutland (Nordjyllands Amt 1994, 1997).

51 In the current Objective 2 programme for North Jutland central government provides all of the co-funding for investment subsidies to individual firms and more than 90% of the co-funding for 'knowledge projects', while infrastructure development is supported by regional and local public bodies (Nordjyllands Amt 1997 p 157).

institutions, although central government maintains a general role with regard to process management, legality and basic policy principles. Two conclusions can be drawn on the basis of this. Firstly, that the European measures never constituted a self-contained programme of spatial economic policy, and that it even in its present form is crucially depending upon national and regional levels of government for access to a wide range of resources. Secondly, the internal division of labour between the national and regional levels now places Denmark among the most decentralized countries in the EU with regard to Structural Funds programming.[52] All in all the Danish approach to administration of the Structural Funds can perhaps best be described as having evolved towards a state of 'controlled decentralization' within a multi-level governance setting.

Regionally-based policies

Also the field of subnational development policies must be analyzed in terms of 'before' and 'after', although the boundary between the two is not as clear-cut as was the case with national and European regional policies. Since the mid-1980s regional and local authorities have become increasingly involved in efforts to stimulate growth in their locality, but as economic development is not one of the statutory functions of subnational government in Denmark, such initiatives operated in a grey zone until this type of activities were formally legalized and regulated by central government through an act of parliament in 1992. The mushrooming of bottom-up regional development policies must in other words be understood against the background of the general nature of territorial politics in a small country that combines a strongly unitary state tradition with extensive functional decentralization of the delivery of a wide range of welfare services.[53] Although individual regional and local government activities - and indeed taxation - are subject to central government regulation, coordination and scrutiny, subnational government clearly retains a measure of discretion with regard to policies and strategies.

Bottom-up initiatives in economic development began with the setting up of Development Committees, in the 1930s on the local level and in the 1950s on the regional level. These were in effect early examples of public-private partnerships promoting the economic development of a particular area, and originally activities aimed exclusively at attracting firms from outside to locate in the area by means of promotion and advice. In the late 1950s attempts were also made to attract support from the new national policy

---

52 For a comparative overview, see Heinelt 1996. Member states with centralized procedures include France, Greece and the UK, while more decentralized approaches have been adopted in Spain, Germany and the Netherlands.

53 For an introduction to subnational government in Denmark, see Bogason 1987.

schemes, but the importance of the Development Committees decreased as local and regional government gradually took a greater role upon themselves in economic development.[54] From the early 1990s all regional and the majority of local governments were engaged in such activities aiming to stimulate indigenous economic activity, promote local employment, and secure a higher level of taxable income. The new emphasis on indigenous growth in the 1980s also involved a notable shift with regard to policy instruments: more or less specialized advisory services came to dominate - supplying information on e.g. markets, technology and general management issues - supplemented by provision of various forms of technological and organizational infrastructure such as incubator units, test facilities and collective marketing efforts.[55] Reliable statistics have only been obtained from 1994 onwards, but the level of expenditure has been relative stable and a yearly average of 185 mio. DKK in the period 1994-97 certainly establishes the regional level as a major player in spatial economic policy.[56] The extent to which co-funding of Structural Funds projects is included in this grand total is unclear, but it is interesting to observe that the three regions in which we find the highest per-capita expenditure on economic development by regional government - Bornholm, North Jutland and Storstrøm - are traditional peripheral areas with a major involvement in European programmes, and thus the extent to which the current level of expenditure reflects generic regionally-based programmes remains to be seen.[57] The availability of funds from the European level has undoubtedly in many ways played a catalytic role by prompting sub-regional actors to engage in economic development activities, but the degree of dependency created by this would, however, seem to be moderate. As noted above, the operation of the Structural Funds in Denmark rely on the generation and development of projects by subnational actors, and - with the possible exception of small units of local government - European co-funding could in most cases be substituted by e.g. regionally generated tax revenues if regional or local government decided to give priority to this area

---

54 For historical overviews, see Bogason 1982, Industriministeriet 1987 and Erhvervsministeriet 1995.

55 For a survey of regionally-based development policies, see Damborg & Halkier 1998a. Overviews of local (and regional) initiatives can be found in Industriministeriet 1987 and Erhvervsministeriet 1995.

56 Calculated on the basis of the aggregate regional government accounts. Although some expenditure on economic development may have been included under other headings than "Economic Development and Tourism", these figures are still believed to present a reasonably accurate picture of the current situation, both with regard to the aggregate level of expenditure and differences between the various regions (cf Amtsrådsforeningen 1997 pp 4f). Thanks are due to Janet Samuel of the Association of County Councils in Denmark for providing access to the figures.

57 Cf the discussion in Damborg & Halkier 1998b.

of public policy.[58]

Given the small scale of most of the initiatives, evaluation of individual regional and local activities is at best difficult, but estimating the aggregate effect on the national level of bottom-up regional policy even in a small country like Denmark is indeed a daunting - and hitherto unaccomplished - task. The hypothesis of Oscarsson about the consequences of the spread of local/regional development policies to both disadvantaged and prosperous areas are, however, worth quoting:

> these ... activities probably no longer contribute to the evening out of regional discrepancies, but rather to contribute to *national* economic development.[59]

Although these sub-national policies aimed at improving the competitiveness of local firms originate in regional problems, on the aggregate national level their spatial effects cancel out each other and hence effectively become a decentralized form of industrial policy. This is, of course, very much in line with the current thinking of central government, but also represents a change of objectives that potentially has very different consequences for individual regions depending on their economic and institutional strengths and weaknesses.

The role of central government as a regulator of regional and local development initiatives has evolved gradually. While it was always crystal clear what subnational government was *not* allowed to do, namely grant financial subsidies to individual firms,[60] what they actually could do remained unclear until 1992 where a new parliamentary act designated *collective* business services - i.e. measures targeting all or a group of firms within its area - as the field in which regional and local authorities could engage.[61] With regard to policy instruments, the regulation of regional and local government initiatives would in other words appear to have been liberal in two senses of the word - everything is permitted except direct financial or in-kind subsidies to individual firms - and clearly also much more successful than the corresponding attempts to influence the character of the policy instruments employed in Structural Funds programmes in Denmark where European preferences and the overriding need to be seen to make the most of EU membership also must be taken into account.

---

58 While on a national level economic development currently amounts to less than 0,5 per cent of the aggregate expenditure of regional government, the contribution of the Structural Funds to the current Objective 2 programme in North Jutland is equivalent to more than 2,5% of the regional government involved.

59 Oscarsson 1989 p 50.

60 This was - and still is - explicitly ruled out by the law governing local authorities and their activities.

61 Lov 383, 20.5.92.

The other central plank in central government regulation has been attempts to bring about a higher degree of coordination amongst actors on the subnational level. In most of the regions bottom-up development activities have involved a large number of relatively small organizations since the beginning of the 1990s, including both regional and local government organizations, a host of quangos and a wide range of public-private partnerships.[62] This complex institutional pattern would seem to have been brought about by a number of factors. Placing development activities outside mainstream government has often been seen to be an important confidence-building measure, separating encouragement and support from the controlling and regulatory functions of local government.[63] Moreover, the uncertainty originally surrounding the legal status of subnational development initiatives may have prompted regional and local government to support the activities of others rather than being directly involved in policy implementation, and finally the political preference for collective framework measures in combination with the availability of European funding has in itself been a strong incentive to institutional engineering in order to increase to public profile of new initiatives. The present state of affairs has led to concerns about duplication and waste of public resources, and central government has launched several schemes aiming to induce subnational actors to coordinate their activities:[64] first the production of Regional Development Plans as a general framework for bottom-up initiatives within the regions was encouraged, and then the setting up of so-called Business Centres was supported financially. The latter were designed to limit duplication by providing a permanent forum for discussion between development organizations active in a particular geographical area but without creating a separate organization or infringing the control of participating organizations over their own activities. The attempts by central government to promote coordination have relied exclusively on voluntary organizational measures backed by limited financial incentives, but if this exercise in networking and institution building should eventually lead to the creation of "one-stop-shop" development agencies, it is already clear that these will only to a limited extent coincide with the current boundaries of regional government as most of the Business Centres consist of local government groupings within a particular region.[65]

---

62 Damborg & Halkier 1998a and 1998b.

63 See Industriministeriet 1987 and Hjalager & Lindgaard 1984.

64 Industriministeriet 1987 & 1992, Erhvervsministeriet 1995, cf Susanne Johansen, personal interview 19.6.97.

65 Of the 10 Business Centres approved by ADTI by mid-1997, only one involves local governments from two different regions, and only one covers an entire region (Susanne Johansen, personal interview

(continued...)

Table 4. Regionally-based policies for regional development:
Resources and levels of government

Input	*Authority*	*Finance*	*Information*	*Organization*
European		Co-funding of some initiatives		
National	Regulation of policy instruments Since early 1990s encouragement of cooperation	Limited co-funding for cooperation		ADTI
Regional	Since late 1980s: * institution building * strategic priorities	Since late 1980s a large aggregate divided between many actors	Increasing knowledge of firms	Since late 1980s many small actors * regional/local * quangos * public-private partnerships

Table 4 sums up the changing input of resources from the three levels of government implicated in regionally-based programmes for economic development, and again it is noticeable that the situation has changed profoundly since the end of the 1980s. From playing at best a marginal role through place promotion, bottom-up development has become a growth industry in its own right with a large number of regional and local actors involved, and with important links to actors on the national and European level. On the one hand central government regulation has established the legal framework for regional and local development initiatives, and this has prevented the introduction of particular policy instruments, namely financial or other subsidies to individual firms. It is therefore hardly surprising that sub-national activities have been dominated by especially advisory services and various forms of organizational infrastructure. On the other hand funding from the European Structural Funds has undoubtedly acted as a catalyst for the development of a burgeoning bottom-up economic development scene by enlarging the financial scope for regional and local action. Having been brought into existence, the long-term dependency of especially regional, but also local, government on external funding does, however, seem to be moderate, and subnational actors should therefore have the capacity to continue to pursue their own priorities with regard to spatial economic policy within the regulatory and economic framework established by the national and

65 (...continued)
19.6.97).

European tiers of government.

Regional Policies and Empowerment

From the late 1980s spatial economic policy in Denmark changed beyond recognition, starting as an ideal-typical version of traditional top-down policy regime and emerging in the early 1990s as an almost radical version of the new bottom-up approach to regional development. How did these changes affect the relative influence of the three tiers of government involved?

As illustrated by Table 5, summing up the key features of the policy regimes before and after the changes taking place around 1990, there can be little doubt that the roles have been recast dramatically, both with regard to the domains occupied by the three levels of government, the strategies pursued and the resource dependencies involved. In the traditional regime central government exercised a de-facto monopoly on regional policy, managing the only economic policy programme entailing systematic spatial discrimination and effectively controlling the necessary resources, including political authority based on cross-party consensus and the means of implementation in terms of finance, information and organization. The new policy regime differs markedly, firstly because central government has effectively opted out of policy implementation, and secondly because the activities of the three levels have become intertwined within a complex system of multi-level governance. Currently European programmes are the only ones that systematically discriminate between localities in their policies, while subnational actors control informational and organizational resources that are critical to policy implementation, and the most important role of central government is to attempt to regulate initiatives emanating from the two other levels. The new regional policy regime in other words involves a separation of the roles formerly concentrated on the national

Table 5. Levels of Government and the Changing Regimes of Regional Policy in Denmark

Level	*Traditional (till the late 1980s)*	*New (from the early 1990s)*
European	From mid-1970s regulation of national area designation and grant levels	Only programme of spatial discrimination Significant source of finance
National	Only programme of spatial discrimination Control of all key policy resources	Regulation of EU and regional programmes Some co-funding of European programmes
Regional	Limited co-funding of national programmes	Subnational industrial policy Many small actors control key resources in regional and EU programmes

level: the authority to instigate spatial discrimination is now exercised via the European level while regional and local actors effectively control the sharp end of the implementation process, and the critical contribution of central government would appear to be to promote and regulate the new dominant policy paradigm with its emphasis on indigenous development and industrial-policy type measures.

Taken together these changes have indisputably increased the capacity of regional actors to influence strategic decisions with regard to economic development initiatives. Under the traditional regime they had been excluded from the policy process altogether, now they are capable of designing programmes, setting up institutions and shaping individual projects. A similar case can be made for the increased influence of the European level. In the early years the role of the ERDF was limited because funds were concentrated in the dependency of Greenland, and at the same time the relatively low levels of expenditure involved in national schemes in Denmark itself meant that European control of area designation and grant levels were of relative limited importance - and yet in the 1990s the only major programmes involving spatial discrimination are those of the Structural Funds. In contrast to this, the changes have clearly restricted the capacity of central government to intervene in the area of spatial economic policy: both programme design, the overall level of expenditure and selection of individual projects are now in the vast majority of cases outwith the direct control of national actors. It is, however, important to note that these new resource dependencies have arisen in the context of an overall change of strategy on the national level that placed decentralized industrial policy at the very core of new-model regional policy in Denmark, and although the immediate ability of central government to deliberately attempt to reshape spatial patterns of economic activity has undoubtedly been reduced compared to the traditional policy regime, its long-term capacity to influence overall strategies, not least amongst the plethora of small subnational actors, would still seem to be considerable.

Political Dynamics and Organizational Strategies

Having identified the three main developments in Danish regional policy as the withdrawal of central government from implementation, the greatly enlarged role of the European Structural Funds, and the widespread growth of subnational initiatives in economic development, it is evident that the ways and means of spatial economic policy have changed profoundly at all levels of government in a short span of years. This may of course just be a coincidence, but it could also suggest that these developments have

somehow been related. In order to explore the role played by the European level in the increased importance of bottom-up initiatives in Denmark it will therefore be necessary also to consider the political dynamics of other parts of the process and the inter-organizational strategies of the actors involved.

The rise to prominence of an European regional policy in general and the origins of the 1988 reform of the Structural Funds in particular have primarily been associated with high politics where especially accession of new members and internal battles of demarcation in the European Commission appear to have played an important role.[66] Both these types of dynamics are, however, outside the reach of regional actors in Denmark, and as the major national concerns with regard to European policies have been agriculture and fisheries rather than regional development, it is reasonable to assume that the Danish input into an area of policy in which other member states have far greater interests at stake will have been fairly limited. In the following the development of the Structural Funds will therefore be treated as a change in the external environment to which Danish actors respond.

In terms of inter-organizational strategies, the two crucial developments on the European level have been 1) the gradual extension of the influence of the Commission on national programmes of regional support, and 2) the introduction by the 1998 reforms of the partnership principle that increased the role of the Commission and subnational authorities in the implementation of Structural Funds programmes. On a general level these trends clearly comply with the "double-squeeze scenario": both of them limit the ability of EU member states to set their own priorities with regard to regional policy, and the partnership principle deliberately elevates the role of regional and local actors. Although the European Commission may have desired a development of policy limiting the room for manoeuvre of the member states, the eventual outcome still depended on the way in which European initiatives were mediated through the interaction with national and subnational actors and their specific organizational strategies, and the consequences of these two developments will therefore be considered in the discussion below of the origins of change on the national and subnational levels respectively.

Starting in true top-down fashion on the national level, the sudden abandoning of traditional central government programmes of regional policy was of course crucial in increasing the relative importance of regionally-based actors in spatial economic policy. Apparently the decision had very little to do with long-term strategic thinking or indeed Europeanization of regional policy: a deal struck by the then centre-right government with the far-right Progress Party during negotiations about the state budget for 1990 involved

66 See Hooghe 1996 and Hooghe & Keating 1994.

considerable cutbacks in various programmes of industrial support, and on the back of this the 1990 Business Promotion Act instigated a major restructuring of the whole policy area that, alas, did not include mainstream regional grants.[67] These circumstances suggest - not particularly surprising - that financial constraints and liberal ideology were important in bringing about change, but as both these phenomena to a greater or lesser extent had been around for most of the 1980s, other factors must be examined, too. In order to explain the timing it would be good to know why traditional regional policy turned out to have so few friends in its hour of need?

First it is important to note that in the 1980s the boundaries between the hitherto separate domains of regional policy and industrial policy had gradually become blurred. As demonstrated above, an increased emphasis on selectivity with regard to eligible sectors and types of projects culminating in the 1988 amendment of the Regional Policy Act took regional programmes closer to industrial intervention, and parallel to this at the same time national industrial policy had also acquired a regional dimension, particularly through the network of TIC agencies. In 1988 this rapprochement between the two policy areas was institutionalized via an administrative reorganization of central government's Department of Trade and Industry which incorporated the former Regional Development Directorate as a unit within ADTI alongside other forms of business support.[68] Moreover, the late 1980s with the impending Single Market also brought worries about national competitiveness to the forefront of the political agenda,[69] and as economic differences between the Danish regions on a range of indicators had decreased significantly,[70] it was hardly surprising if strengthening the competitiveness of Danish industry as a whole took precedence of issues of internal spatial distribution. Finally, we have seen that from the mid-1980s new preferences with regard to policy instruments started to emerge in the fields of regional and industrial policy, giving priority to framework measures over direct financial subsidies, and as the traditional regional schemes operated by means of grants, the case for maintaining these programmes was further weakened.

It is in other words evident that especially since the middle of the 1980s a number

---

67 See *Folketingstidende F* 1989-90 col. 5520-37, 10100-117, and 10752-76.

68 Direktoratet for Egnsudvikling 1987 p II.

69 See Bogason & Jensen 1991.

70 While many of the traditional industries in the Copenhagen area have been decline, strong growth in manufacturing has been recorded in some of the previously disadvantaged areas in mainland Jutland. Add to this the spatially equalizing effect of public sector services in a Scandinavian welfare model and it is hardly surprising that the aggregate result has been a significant reduction in inequality between the regions: around 1980 the level of unemployment in the worst-hit region was 1,6 times that in Copenhagen, but by the early 1990s the gap had decreased to one of 1,15 (Industriministeriet 1985, Illeris 1994).

of developments on the national level gradually undermined the position of traditional regional policy schemes, and it is in this context that the impact of developments on the European level must be understood. As argued above, the intensity of the traditional regional policy regime in Denmark was relatively low compared to other Western European countries, and the problems posed by European regulation will therefore have been limited. Instead attention must turn to the impact of the operation of the Structural Funds where the 1988 reform significantly enlarged the funding available, also in Denmark. Especially in the peripheral regions hitherto supported by central government programmes this is likely to have made the sudden death of the national policies less politically contentious, because some form of regional policy with spatial discrimination was maintained, albeit in the guise of European programmes. Although more empirical research into the political debate is needed, it is interesting to note that in the parliamentary debate the 'policy substitution argument' - Danish regional programmes can be dispensed with because the Structural Funds have become a major presence - was hardly aired at all.[71] This may be due to the overwhelmingly procedural nature of the new Business Development Act itself, but it could also be interpreted as a cynical 'conspiracy of silence' within the Danish political elite. In order to avoid attracting the attention of the Commission to what could all too easily be construed as a violation of the principle of additionality set out in the 1988 reform:[72] although by definition any co-funding of Structural Funds programmes would be additional once the national programmes had been terminated, termination itself came close to resembling the ultimate for form of 'subtractionality'.

All in all it can be concluded that the demise of traditional regional policies in Denmark is likely to have been caused by a combination of internal and external factors - perhaps not an entirely surprising conclusion, but nonetheless an important one because it runs against the thinking inherent in the 'double squeeze' hypothesis. On the one hand Denmark was the only member state in which the vastly increased role of the Structural Funds was accompanied by an outright discontinuation of all central government programmes for regional development, and this in itself indicates that internal, national factors must have been involved. On the other hand the 1980s had indeed witnessed a gradual process of transformation that pointed towards a downgrading of traditional grant-based regional subsidies, but the fact that less than 18 months passed between the 1988

---

71 See *Folketingstidende F* cf footnote 67 above.

72 Although national self-determination has often been projected as the alternative to the pragmatic acceptance of European integration for economic reasons (see Hedetoft 1992), not even parties opposed to or critical of Danish membership relied on this line of argument.

revision of the Danish Regional Development Act and the 'fatal' budget agreement for 1990 strongly suggests that the emerging new consensus on ways and means in regional and industrial policy must have been subjected to a 'sudden shock' from outside. One the basis of the above analysis, this shock would appear to have been a combination of the sudden - and short-lived - influence of ideological liberalism wielding the knife and the promised land of the Structural Funds providing the political cushion. The role of the European developments in promoting the relative position of subnational actors by weakening the position of central government does in other words appear to have been a limited one, enabling changes driven by Danish actors to take place rather than being the main cause of the sudden demise of central government regional programmes.

Turning now to the increased direct involvement of subnational actors in economic development initiatives, this has been shown to stem partly from the rapid growth of regionally-based initiatives and partly from a new and prominent role in European policy programmes. With regard to the former, the recurring conflicts in the 1980s about what regional and local government were allowed to do with regard to economic development clearly demonstrates that the spread of bottom-up policies was very much driven by subnational actors,[73] but the timing also suggests that national and European developments will have played a role in making regional and local actors venture into this new area of activity. Firstly, in the 1980s a significant impetus behind the markedly increased level of activity would seem to be the decentralized administration of labour market policies in a period of high levels of unemployment and the dominance of a liberal discourse of economic management.[74] Secondly, in the 1990s the termination of the regional support schemes of central government will have left a policy void in the peripheral regional that could be at least partly filled by subnational actors. Thirdly, the availability of new European sources of finance will have facilitated bottom-up initiatives, both directly via the intricate co-funding arrangements and probably also indirectly through a 'domino effect' where more wealthy localities not supported by Objective 2 or 5b programmes introduce economic development initiatives in order to avoid losing out in the inter-regional competition. The possibilities presented by the European level would in other words appear to have played a role in stimulating the growth of regionally-based development initiatives, but only as contributing factor alongside national and subnational ones.

The increased involvement of regional actors in the implementation of Structural Funds programmes can be traced back to the partnership principle of the 1988 reforms,

---

73 Bogason & Jensen 1991.

74 Industriministeriet 1987, Jørgensen & Lind 1988.

and in that sense a direct link clearly exists between European policies and the enhanced position of subnational actors. It should, however, be stressed that also these changes have been mediated by national actors and their inter-organizational strategies. As noted earlier the degree of decentralization within the partnership varies across Europe, and the relatively decentral mode of operation in Denmark had not been prescribed by the Commission but appears to have evolved gradually as result of an internal learning process among the national and regional actors involved.

All in all it can be concluded that developments on the European level have undoubtedly contributed to the increased stature of regional and local actors with regard to spatial economic policy in Denmark, but that other types of dynamics must also have been involved, not least the relationship between national and subnational tiers of government and the strategies of actors on these two levels.

Conclusions and Perspectives

Having analyzed the changing nature of spatial economic policy in Denmark, two substantial conclusions have been reached.

Firstly, it has been demonstrated that changes within the area of regional policy taking place in a short span of years around 1990 have not only lead to an increased involvement of regional and other subnational actors, but also vastly enhanced the capacity of these actors to pursue their own preferences with regard to spatial economic policy within a system of multi-level governance. Bottom-up activities still depend on external resources, primarily central government regulation and to some extent funding from European programmes, but given the relatively broad nature of both the former and the latter, targeting the needs of the individual locality should certainly be possible. Although the position of the economically weaker regions still would seem to be more precarious in terms of external financial dependencies, even their situation contrasts sharply with the policy regime dominant from the 1960s and throughout the 1980s in which centralized national schemes were the only form of spatial economic policy. Whether this actually happens is a different, but also very interesting, question that the present paper will not attempt to address, but the 'accurracy' of the policy response to the structural weaknesses of a particular regional economy could of course be affected if subnational actors are driven by short-term financial opportunism, e.g the availability of European or national funding for specific purposes, or by the inertia created by the sheer number of public and semi-public organizations operating on the regional level.

Secondly, the transition to a new policy regime of a less centralized nature has come about as a result of the interaction of the changing strategies of actors on three levels of government, both in terms of the nature of the policies implemented and with regard to the inter-organizational strategies pursued. Although the increased importance of subnational actors has been supported by the presence of the Structural Funds, neither the demise of central government programmes nor the rise of a burgeoning bottom-up development industry can be accounted for purely in terms of developments on the European level. The latter can be seen as enabling, and in some case catalytic, but still the intervention of national and subnational actors are required in order to account for the dramatic changes in spatial economic policy and the decentralized nature of the new institutional set-up.

On this reading the "double-squeeze scenario" in which the role of the national level is reduced through concurrent pressures from above and below is not an accurate depiction of the Danish case, neither with regard to the outcome nor with regard to identifying the motive forces in the historical process through which one policy paradigm replaced another. Central government still plays a role as regulator of this area of public policy, also within the ERDF programmes, and thus the role of national government in this decentralized Danish form of multi-level governance would very much seem to be to provide basic rules and policy principles while its direct involvement in implementation with regard to individual development projects is limited. Moreover, the analysis lends support to the claim that central government cannot *a priori* be assumed to pursue centralizing inter-organizational strategies because alternative strategies involving e.g. decentralization may be even more attractive. Danish regional policy would appear to offer an excellent example of this, with responsibility for planning and implementation being decentralized and Europeanized at the same time in a process in which central government even sometimes took the lead, and thus the last decades would seem to be one in which the various actors gradually assume more clearly defined roles within a system of multi-level governance.

All in all the preceding pages suggest that the medium-term outlook for spatial economic policy in Denmark appears to be stable, at least compared with the turbulence of the preceding decade, even though the new policy paradigm is likely to be hit by another external shock in the shape of a major reform of the Structural Funds following the enlargement of the EU towards the east. Although it remains to be seen whether this will bring support for disadvantaged regions in the relatively prosperous North Western member states to a complete and abrupt halt, continuation of the current levels of support is generally viewed as highly unlikely. In theory this could lead to the resurrection of central government regional policy schemes in Denmark, but with limited regional

disparities and increasing international competition, the political will to target resources to address territorial problems at the expense of competitiveness must still be in doubt. Moreover, the consensual preference for framework-types of policy instruments rather than financial subsidies would probably suggest that - apart from doing nothing - continuation of a programme-based national programmes along the lines of the Structural Funds could be the least unlikely option. Such an approach could be presented as a regional form of industrial policy, and by leaving the coordination within the regions to regional-based actors and merely provide some measure of additional funding, central government would avoid becoming too heavily entangled in territorial politics and inter-organizational strategies on the sub-national level. For the time being, at least, the new and decentralized approach to spatial economic policy is unlikely to be reversed.

Bibliography

Albrechts, Louis & Eric Swyngedouw (1989) The Challenges for Regional Policy under a Flexible Regime of Accumulation, in L. Albrechts *et al.* (eds.): *Regional Policy at the Crossroads - European Perspectives*, London: Jessica Kingsley, pp 67-89.

Allen, Kevin (1989) The Long-term Future of Regional Policy - A Nordic View, in NordREFO/OECD (ed.): *The Long-term Future of Regional Policy - A Nordic View*, Copenhagen: NordREFO, pp 11-39.

Amtsrådsforeningen (1997) Erhvervsfremme i amterne - en oversigt, København: Amtsrådsforeningen.

Arbejdsministeriet (1997) Bekendtgørelse om en varslingspulje, 72, 28.1.97.

Bachtler, John (1993) Regional Policy in the 1990s - The European Perspective, in R. T. Harrison & M. Hart (eds.): *Spatial Policy in a Divided Nation*, London: JKP, pp 254-69.

Bachtler, John & Sandra Taylor (1997) EU Regional Development Strategies: Comparisons and Contrasts Among Objective 2 Programmes, in John Bachtler & Ivan Turok (eds.): *The Coherence of EU Regional Policy. Contrasting Perspectives on the Structural Funds*, London: Jessical Kingsley, pp 219-45.

Bogason, Peter (1982) Denmark: The Regional Development Council, in Douglas Yuill (ed.): *Regional Development Agencies in Europe*, Farnborough: Gower, pp 107-28.

Bogason, Peter (1987) Denmark, in Edward C. Page & Michael J. Goldsmith (eds.): *Central and Local Government Relations*, London: Sage, pp 46-67.

Bogason, Peter & Lotte Jensen (1991) Statens ansvar for regional udvikling i Danmark, *NordREFO* (3): 51-82.

Bullmann, Udo (1996) The Politics of the Third Level, *Regional & Federal Studies* 6 (2): 3-19.

Conzelmann, Thomas (1995) Networking and the Politics of EU Regional Policy: Lessons from North Rhine-Westphalia, Nord-Pas de Calais and North West England, *Regional & Federal Studies* 5 (2): 134-72.

Damborg, Charlotte (1998) The North Jutland Objective 2 Programme: Coordination

and Evaluation, *IQ-NET Occasional Paper* 2.

Damborg, Charlotte & Henrik Halkier (1998a) RDAs in Denmark - Towards a Danish Approach to Bottom-up Regional Policy?, in H. Halkier *et al.* (eds.): *Regional Development Agencies in Europe*, London: Jessica Kingsley, pp 80-99.

Damborg, Charlotte & Henrik Halkier (1998b) Development Bodies, Networking and Business Promotion in North Jutland, *European Studies Series of Occasional Papers, European Research Unit, Aalborg University* 28.

Direktoratet for Egnsudvikling (1980-87) *Orientering og årsberetninger, 1980-87*, Silkeborg: Direktoratet for Egnsudvikling.

Erhvervsfremmestyrelsen (1992-96) *Årsberetning, 1992-96*, København: Erhvervsfremmestyrelsen.

Erhvervsfremmestyrelsen (1996) Rapport om afgrænsning af støtteberettigede områder, Silkeborg: Erhvervsfremmestyrelsen.

Erhvervsministeriet (1995) Regionalpolitisk Redegørelse 1995, København: Erhvervsministeriet.

Finansministeriet (1988-96) *Statsregnskabet*, København: Finansministeriet.

Folketingstidende, 1980-97.

Gaardmand, Arne (1988) Jobbet til manden eller manden til jobbet? Om dansk regionalpolitik 1945-85, in NordREFO (ed.): *Om regionalpolitikken som politikområde*, Helsinki: NordREFO, pp 67-108.

Gustaffson, Jeppe & Janne Seemann (1985) *Små institutioner i store systemer - Tilpasning og påvirkning*, Aalborg: Aalborg UP.

Halkier, Henrik (1996) Institutions, Power and Regional Policy, *European Studies Series of Occasional Papers, European Research Unit, Aalborg University* 16.

Halkier, Henrik (1997) The North Jutland Objective 2 Programme: Institutions and Implementation, *IQ-NET Occasional Paper* 1.

Halkier, Henrik & Charlotte Damborg (1997) Networks, Development Agencies and Intelligent Regions - Towards a Framework for Empirical Analysis, *European Studies Series of Occasional Papers, European Research Unit, Aalborg University* 22.

Halkier, Henrik & Mike Danson (1997) Regional Development Agencies in Europe: A

Survey of Key Characteristics and Trends, *European Urban and Regional Studies* 4 (3): 243-56.

Hanf, Kenneth & Laurence J. O'Toole, jr (1992) Revisiting Old Friends: Networks, Implementation Structures and the Management of Inter-organizational Relations, *European Journal of Political Research* 21 (1-2): 163-80.

Hedetoft, Ulf (1992) Euronationalism - Or How the EC Affects the Nation-state as a Repository of Identity, *History of European Ideas* 15 (1-3): 271-77.

Heinelt, Hubert (1996) Conclusions, in Hubert Heinelt & Randall Smith (eds.): *Policy Networks and European Structural Funds*, Aldershot: Avebury, pp 294-321.

Heinelt, Hubert & Randall Smith (1996) Introduction, in Hubert Heinelt & Randall Smith (eds.): *Policy Networks and European Structural Funds*, Aldershot: Avebury, pp 1-8.

Hjalager, Anne-Mette & Gert Lindgaard (1984) *Livsformer og lokale erhvervspolitiske initiativer*, Oslo: NordREFO.

Hogwood, Brian W. (1992) *Trends in British Public Policy. Do Governments Make Any Difference?*, Buckingham: Open UP.

Hogwood, Brian & Lewis A. Gunn (1986) *Policy Analysis for the Real World*, Oxford: Oxford UP.

Hooghe, Liesbet (1996) Building a Europe with the Regions: The Changing Role of the European Commission, in Liesbet Hooghe (ed.): *Cohesion Policy and European Integration. Building Multi-level Governance*, Oxford: Oxford UP, pp 89-126.

Hooghe, Liesbet & Michael Keating (1994) The Politics of European Union Regional Policy, *Journal of European Public Policy* 1 (3): 369-92.

Illeris, Sven (1994) *Essays on Regional Development in Europe*, Roskilde: Department of Geography and International Development Studies.

Industri- og Handelsstyrelsen (1988-91) *Årsberetninger 1988-91*, København: Industri- og Handelsstyrelsen.

Industriministeriet (1985) Industriens lokalisering, *Arbejdsnotat* 2.

Industriministeriet (1987) Lokal erhvervspolitik - debatoplæg om forholdet mellem statslige og lokale initiativer, *Arbejdsnotat* 7.

Industriministeriet (1990) Regional erhvervspolitik i Danmark - Rapport afgivet af arbejdsgruppen vedrørende regionalpolitik, København: Industriministeriet.

Industriministeriet (1992) Pejlemærker for fremtidens erhvervspolitik, København: Industriministeriet.

Jensen, Lotte (1994) Ændringer i dansk opfattelse af statens ansvar i 80erne og 90erne, *NordREFO* (3): 89-112.

Jordan, Grant & Klaus Schubert (1992) A Preliminary Ordering of Policy Network Labels, *European Journal of Political Research* 21 (1-2): 7-27.

Jørgensen, Henning & Jens Lind (1987) Decentralized Welfare Capitalism: The Case of Employment and Industrial Policies, *Acta Sociologica* 30 (3-4): 313-37.

Jørgensen, Torben Beck (1993) Modes of Governance and Administrative Change, in Jan Kooiman (ed.): *Modern Governance: New Government-Society Interactions*, London: Sage, pp 219-32.

Keating, Michael (1992) Regional Autonomy in the Changing State Order. A Framework for Analysis, *Regional Politics & Policy* 2 (3): 45-61.

Keating, Michael (1997) *The New Regionalism. Territorial Competition and Political Restructuring in Western Europe*, Paper, EUI seminar on Territorial Politics in Europe, Florence, 21-22 April 1997.

Keating, Michael & John Loughlin (1997) Introduction, in Michael Keating & John Loughlin (eds.): *The Political Economy of Regionalism*, London: Frank Cass, pp 1-13.

Lov om kommuners og amtskommuners deltagelse i erhvervsudviklingsaktiviteter, 383, 20.5.92.

March, James G. & Johan P. Olsen (1984) The New Institutionalism: Organizational Factors in Political Life, *American Political Science Review* 78 (): 734-49.

Marks, Gary (1996a) Exploring and Explaining Variation in EU Cohesion Policy, in Liesbet Hooghe (ed.): *Cohesion Policy and European Integration. Building Multi-level Governance*, Oxford: Oxford UP, pp 388-422.

Marks, Gary (1996b) An Actor-Centred Approach to Multi-Level Governance, *Regional & Federal Studies* 6 (2): 20-38.

Marks, Gary, Liesbet Hooghe & Kermit Blank (1996) European Integration from the 1980s: State-Centric v. Multi-level Governance, *Journal of Common Market Studies*

34 (3): 341-78.

Martin, Ron & Peter Townroe (1992) Changing Trends and Pressures in Regional Development, in P. Townroe & R. Martin (eds.): *Regional Development in the 1990s - The British Isles in Transition*, London: Jessica Kingsley, pp 13-24.

Nordjyllands Amt (1997) Mål 2: 1997-97. Globalisering. Et program til styrkelse af nodjyske virksomheders konkurrenceevne, Aalborg: Nordjyllands Amt.

Nordjyllands Amt (1994) Mål 2 SPD 1994-96, Aalborg: Nordjyllands Amt.

North, Douglas C. (1991) *Institutions, Institutional Change and Economic Performance*, Cambridge: Cambridge UP.

Oscarsson, Gösta (1989) Regional Policies in the Nordic Countries - Origin, Development and Future, in NordREFO/OECD (ed.): *The Long-term Future of Regional Policy - A Nordic View*, Copenhagen: NordREFO, pp 41-58.

Rhodes, R. A. W. (1988) *Beyond Westminster and Whitehall - The Sub-central Governments of Britain*, London: Unwin Hyman.

Rhodes, R. A. W. (1995) The Institutional Approach, in David Marsh & Gerry Stoker (eds.): *Theory and Method in Political Science*, Houndmills: Macmillan, pp 42-57.

Rhodes, R. A. W. & D. Marsh (1992) New Directions in the Study of Policy Networks, *European Journal of Political Research* 21 (1-2): 181-95.

Smith, Anthony D. (1991) *National Identity*, Harmondsworth: Penguin.

Staeck, Nicola (1996) The European Structural Funds - Their History and Impact, in Hubert Heinelt & Randall Smith (eds.): *Policy Networks and European Structural Funds*, Aldershot: Avebury, pp 46-73.

Stöhr, Walter (1989) Regional Policy at the Crossroads: An Overview, in L. Albrechts *et al.* (eds.): *Regional Policy at the Crossroads - European Perspectives*, London: Jessica Kingsley, pp 191-97.

Thorelli, Hans B. (1986) Networks: Between Markets and Hierarchies, *Strategic Management Journal* 7 (): 37-51.

Waarden, Frans van (1992) Dimensions and Types of Policy Networks, *European Journal of Political Research* 21 (1-2): 29-52.

Wishlade, Fiona (1996) EU Cohesion Policy: Facts, Figures and Issues, in Liesbet

Hooghe (ed.): *Cohesion Policy and European Integration. Building Multi-level Governance*, Oxford: Oxford UP, pp 27-58.

Wishlade, Fiona *et al.* (1997) *Economic and Social Cohesion in the European Union: The Reginal Distribution of Member States' Own Policies*, Paper, EURRN Conference Frankfurt/Oder 20-23 September 1997.

Yuill, Douglas *et al.* (1992) *European Regional Incentives 1992-93, 12th ed.*, London: Bowker-Saur.

Yuill, Douglas *et al.* (1996) *European Regional Incentives 1996-97, 16th Edition*, London: Bowker Saur.

Yuill, Douglas *et al.* (1998) *European Regional Incentives, 17th edition*, London: Bowker Saur.

Personal interview

Susanne Johansen, senior civil servant, ADTI, Silkeborg, 19.6.97.

European Studies

European Research Unit, Aalborg University

1. Ulf Hedetoft: *Euronationalism - or how the EC affects the nation-state as a repository of identity*, 1990 (30 p.).

2. *European Research Programme - Annual Report 1989/90*, 1991 (34 p.).

3. Ernst-Ullrich Pinkert: *Die `Jungfer Europa' und der `Genius der Freiheit' in Skandinavien*, 1991 (13 p.).

4. Carola Opitz-Wiemers: *Das kontrollierete Bewußtsein. Zu Ingeborg Bachmanns Romanzyklus "Todesarten"*, 1991 (15 p.).

5. Ernst-Ullrich Pinkert (red.): *Politisk tegnsætning. Nationale symboler og national identitet i Europa og i Den tredje Verden*, Aalborg Universitetsforlag, 1991 (165 p.).

6. Ernst-Ullrich Pinkert (red.): *Drømmen om Amerika i Europa*, Aalborg Universitetsforlag, 1993 (144 p.).

7. Ulf Hedetoft (red.): *Nation or Integration? Perspectives on Europe in the 90s*, Aalborg Universitetsforlag, 1993 (143 p.).

8. Occasional Paper: Otto Preu: *Difficulties and possibilities of Christian-inspired politics in the Eastern part of Germany before and after 1989. A personal summary*, 1994 (11 p.).

9. Occasional Paper: Werner Biechele: *Stepchildren of German Literature? Political causes and cultural consequences of the way to handle German-language Literatures of South-East Europe in Germany*, 1994 (13 p.).

10. Occasional Paper: Wolfgang Zank: *Nation, Customs Union, Political Union - Collective Identity, Economy, and Politics in Germany 1771-1871 in a non-Structuralist Perspective*, 1994 (27 p.).

11. Occasional Paper: Staffan Zetterholm: *Politics and Cultural Discrimination. The dynamics of culture-based politics*, 1994 (15 p.).

12. Occasional Paper: Lissi Daber: *Ireland's Fifth Province: The Field Day Project and Cultural Identity in Northern Ireland*, 1994 (11 p.).

13. Occasional Paper: Ulf Hedetoft: *The Cultural Semiotics of 'European Identity': Between National Sentiment and Transnational Imperative*, 1995 (43 p.).

14. Occasional Paper: Ulf Hedetoft: *Nationers tegn. Resumé af og et appendix til en doktorafhandling*, 1995 (115 p.).

15. Occasional Paper: Henrik Halkier and Mike Danson: *Regional Development Agencies in Western Europe. A Survey of Key Characteristics and Trends*, 1996 (30 p.).

16. Occasional Paper: Henrik Halkier: *Institutions, Power and Regional Policy*, 1996 (71 p.).

17. Occasional Paper: Ulf Hedetoft and Antje Herrberg: *Russia and the European Other: Searching for* a Post-Soviet Identity, 1996 (28 p.).

18. Occasional Paper: Charlotte Damborg and Henrik Halkier: *Regional Development Agencies in Denmark. Towards a New Type of Bottom-up Regional Policy?*, 1996 (33 p.).

19. Occasional Paper: Staffan Zetterholm: *The Concept of Integration*, 1997 (27 p.).

20. Occasional Paper: Søren von Dosenrode: *Networks in Danish EU-policy Making*, 1997 (29 p.).

21. Occasional Paper: Antje Herrberg: *The European Union and Russia: Towards a new ostpolitik?*, 1997 (36 p.).

22. Occasional Paper: Henrik Halkier & Charlotte Damborg: *Networks, Development Agencies and Intelligent Regions - towards a framework for empirical analysis*, 1997 (25 p.).

23. Occasional Paper: Poul Thøis Madsen: *Public Procurement and the Single Market. Consequences of EC tenders in Denmark with special respect to the of innovation and integration*, 1997 (14 p.).

24. Occasional Paper: Hanne Niss: *MADE IN DENMARK. Summary of a PhD dissertation on the role and function of national images in Danish export promotion*, completed June 1993, 1997 (23 p.).

25. Occasional Paper: Hanne Niss: *REPRESENTING MASCULINITY. Images of men in Post-1960s British advertising*, 1997 (27 p.).

26. Occasional Paper: Søren von Dosenrode: *Strengthening the Regions? The Danish Amter in the EU*, 1998 (24 p.).