

The Municipal Takeover of the School System

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Abstract: In 1991 the Swedish school system was transferred from the State (the national level) to the municipalities. The reform increased the size of the municipal sector by one fifth, making the reform one of the largest in recent history. Despite broad support for the reform in Parliament, the process was very slow and discussions went on for some twenty years before the final decision was made. Traditional economic theories might be less suitable to explain both the slow process and the outcome of the reform. In this paper insights from economic psychology are used as remedy for the lack of explanatory power of traditional economic theories. The paper covers the political process that preceded the reform, an evaluation of the economic consequences of the reform and an attempt to explain some of the particularities of the reform using economic-psychological theories.

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Introduction

Welfare reforms are an area of research that has attracted a fair amount of interest in recent years. A subset of the reforms is about transfers of public activities from one jurisdictional level (nation, county or municipality) to another. The “municipalization” of the schools, i.e. the transfer of responsibility from the national to the municipal level, which was implemented in Sweden in the 1991/1992 academic year, is in this context one of the most far-reaching. Schools, after the reform, comprised about one fifth of the municipal obligations and more than 115 000 people did, in reality, change employers, from the national government to the municipalities.¹ Going back all the way to when the schools were made a responsibility of the national government – this process was finished in the 1972/1973 academic year² – the issue of ”re-municipalizing” them has been discussed. When the decision about municipalization was finally made, just shy of twenty years later, there was widespread political consensus about the desirability of the change of responsible party. However, there were some dissent about how and when this reform should be implemented, which resulted in a wide-ranging public debate both before and after the transfer of responsibility.

The purpose of this paper is partly to describe the process that lead up to the implementation of municipalization, partly to analyze the process and its consequences,

¹ The teachers were employees of the municipalities, but salaries and conditions of employment were earlier fixed by the national government, and the responsibility for personnel was therefore split. According to The National Agency for Education (1993), there were 86 727 teachers at the grade school level (grades 1 through 9) and 28 941 teachers at the high-school level, (corresponding to 75 357 and 22 230 full-time positions, respectively). Persson (2007) p 54 claims that the reform comprised 200 000 teachers, this is not accurate.

² The decision was made in 1969.

with a starting point in economic-psychological theory. Unlike traditional theories, economic-psychological theory observes that people are not strictly rational and that they often use rules of thumb, *heuristics*, when making decisions. Both experiments and empirical studies have shown that these theories have significant explanatory power in many domains, e.g. finance and consumer behavior.³ The assumption that the same decision models should be applicable also to political decision-making is not a very strong one.⁴

³ Several different economic-psychological theories might be useful here, such as the Prospect Theory (Kahneman and Tversky 1979; Thaler 1980, 1985; Tversky and Kahneman 1991; Wahlund 1991, 1989; Rabin and Thaler 2001); Mental accounting (Thaler 1985, 1980; Kahneman, Knetsch, and Thaler 1990); reference point theories (Kahneman 1992; Neale and Bazerman 1992) and Proximity Effects, which mean that the decision maker is affected by the closeness to those who are affected by the decisions (Kilham and Mann 1974; Leiser, Azar, and Hadar 2008; Trope and Liberman 2003; Latané 1981; Latané and Wolf 1981; Tanford and Penrod 1984). These theories have obvious applications with regard to welfare reforms (which are all about changes), and transfer of tasks from one jurisdictional level to another (that the decisions move either away from or towards the voters or the users).

⁴ The distribution of tasks between different levels of government can be understood from a long list of theoretical starting points; the ones used most frequently in recent years are the public choice and rational choice schools of interest-based models, and also institutional theory (Elster 1986; Buchanan 1959; Buchanan and Tullock 1962; Mueller 2003; Riker 1962; Olson 1971; North 1990, 2005; Coase 1960; Kingdon 1995). All of these theories can to varying extent be useful for the understanding of the events described. Here, however, there is an attempt to push the analysis further with the aid of the exploits within economic-psychological theory.

Source Materials

This paper is based partly on official publications in the form of state-sponsored studies, propositions (bills originating from the Government), motions (bills originating from Parliament members or groups) and minutes from Parliament⁵, and partly on articles in newspapers and professional magazines. As a complement to the printed material, interviews have been done with a number of those who were key persons in the described process.⁶

The main actor in this description was without a doubt the then Minister of Education, Göran Persson. Unfortunately, it has not been possible to interview him, but he writes about the issue in his memoirs (Persson 2007). However, it is somewhat surprising how little he comments. The whole time he was Minister of Education is described on five

⁵ Motions (bills submitted by Parliament members or groups), propositions (bills submitted by the government) and committee memorandums are taken from Rixlex and therefore have no page numbers.

⁶ The choice of people to interview was based on the desire to complement printed source materials with comments from some of those who were present during the process, as decision-makers, advisers or just as listeners. Interviews have been made with Ingvar Carlsson, Lars-Eric Ericsson, Margit Gennser, Per Borg, Bengt-Åke Berg, and Carl-Johan Åberg. Carlsson was the Social Democrat Prime Minister 1986-1991, the period when the major decisions were made. He was also Minister of Education 1969-1973 which does not only coincide with the time when the transfer of the schools to the national level was finalized, but also with the time when re-municipalization first started to be discussed and studied. Lars-Eric Ericsson is a Social Democrat, and was the chairman of the Association of Swedish Municipalities 1986-1992. Before that he was a city council member in the Municipality of Uppsala (1974-76) and he was under-secretary of state in the Ministry of Culture (1974-1976), Margit Gennser was a Member of Parliament for the Moderate Party (Conservative) between 1982 and 2002 and was, during the eighties, her party's person responsible for municipal issues. She has a background as a municipal politician in Malmö. Carl-Johan Åberg is a Social Democrat and was under-secretary of state in the Ministry of Finance under Gunnar Sträng and responsible, in 1971, for *Långtidsutredningen* ("The Long-Term Study", an ongoing planning tool in Sweden). As under-secretary, he was a central actor when issues about efficiency and the determination of primary responsibility first were brought into discussion. Bengt-Åke Berg is a Social Democrat and was Budget Chief in the Ministry of Finance during the first half of the seventies, under Gunnar Sträng, and as such he had considerable knowledge of the policies of budgeting. Later, he became the supervisor for social issues in the City of Stockholm, and in this role he came to see the process from the municipal point of view. Per Borg, also a social democrat, was under-secretary of state – although in a ministry not affected, the Ministry of Defense – during the period when the decisions about the great changes in primary responsibility in the public sector were made. He has also written his Doctoral Dissertation on political reform processes. (Borg 2004).

pages, and the transfer reform on less than one page. For the rest, it can be said that the central actors are the then Prime Minister Ingvar Carlsson; the Chairman of TCO (Swedish Confederation of Professional Employees), Björn Rosengren and the then under-secretary in the Ministry of Education, Anita Steen⁷. Of these, Carlsson was willing to give an interview.

The source material largely shows, however, a consensus, so the fact that Persson could not be interviewed is less serious than it could have been. However, there is a risk for collective forgetfulness or bias, which can be caused by rationalizations after the fact or that the interviewees base their answers on sources they have in common. One problem in this context is, however, that it is precisely Persson's own description that deviates the most.

Several of the interviewees have also written memoirs, which have been used as source material. Few of these, however, discuss the municipalization of schools, that applies to those of Carlsson (2003) and Åberg (2006). Three of the interviewees, Gennser (1982), Åberg (1997), Borg (2004, 2006) have, in other contexts, written about how it is possible and how to go about reforming the public sector. They do not, however, use the schools as an example.

During the work with this paper, all memoirs and similar that were written by Government ministers during the period in question, have been gone through. Among these, there are descriptions of the period in question from actors who are or were

⁷ Persson later married Steen

Government ministers, for example Feldt (1991), Leijon (1991), Andersson (1993), Sahlin (1996), Hellström (1999) and Peterson (1999), but they do not mention the school reform either. Perhaps this tells us something about what little importance this issue was regarded as having, and, at the Government level, at least, how uncontroversial the question was regarded, among many in politics. Persson, however, does write about “a violent political struggle”⁸ but it is not clear whether he means that there was a struggle within or outside of Parliament. If he means the latter, his description is compatible with those given by the other sources, otherwise not. It is possible to think that Persson wants to portray the resistance to the reform as bigger than it was, to make his own efforts more important. Whether this is the case cannot be determined. At the same time that he exaggerates regarding how many people are included in the reform⁹ he rather understates its importance:

The so-called municipalization reform which Anita [Steen] and I pushed through did not really consist of anything except that the entirety of the employer responsibility for all teachers who served in the municipal sector was transferred to the municipalities.¹⁰

However, none of the other sources try to downplay Persson’s role, rather the opposite, but, unlike Persson, they often highlight how wide-ranging this reform was.

⁸ Persson 2007 p. 54

⁹ Persson was of the opinion (2007 p. 54) that there were 200 000 teachers that were included in the reform, at a time when all teachers at grade and high-school levels comprised only 115 000.

¹⁰ Persson 2007 p. 54

Turning Points in the Welfare State

From 1950 to 1970 both the Swedish economy as a whole, and the public sector grew rapidly. GDP increased by on average 4 per cent per year, at the same time that public expenditure increased from 24.7 to 43.9 percent of GNP. Public consumption increased at the same time from 12.6 percent to 21.8 percent. In 1980, public expenditure had increased even further, to 62 percent of GNP and public consumption 29.3 percent, the growth of the economy had however almost ceased.¹¹

From the end of the expansion period, i.e. from the middle of the 1970s, the municipalities did take over a large part of the increase of public expenditure, simply through keeping up the expansion in spite of the fact that there was belt-tightening at the national level.

The development of the Swedish welfare state can be crudely divided into a formative phase, which lasted until 1950, an expansion phase, which lasted until 1975 and a consolidation phase which followed. During the formative phase, it was often the local community, first the parishes (there was no separation of church and state) and then the municipalities that delivered the services. This was true regarding for example the schools, care of the sick and elderly, and the police force.¹² The distinguishing characteristic of this period was a steady, but not too rapid, growth of the public commitments. The expansion phase that followed had its own clear characteristics: large increases in the public commitments and centralization. During this period, the national

¹¹ Björklund & Larsson 2005 p 3

¹² It should be mentioned in this context that activities such as debt collection, tax collection and some of judicial functions were municipal responsibilities during this period.

government took over the responsibility for many activities that had previously been handled at a lower level. That applies, for example, to the police, the courts and the schools.

The municipal reforms that were implemented during this period also included that the number of municipalities was greatly reduced, at the same time that their size increased. After 1975, the expansion of the public sector diminished or ceased, and the changes that were made after this time were to a significant extent issues of responsibility and efficiency, that is who should finance and perform the tasks and how to get maximum use out of the tax monies.

The same long-term trend – first centralization and then decentralization – which was the hallmark of the public sector as a whole – can be seen with the schools.¹³ When public schooling was first introduced in Sweden during the middle of the eighteenth century, it became a concern for the parishes, while the higher levels of education (including “gymnasium” or, roughly, high-school level) came to be handled at the national level.¹⁴ As early as in 1949, some municipalities introduced the nine-year “Unified School” as a replacement for the earlier “*folkskola*” (grades 1-6 or 1-8) and “*realskola*” (grades 5-9 or 7-9, and admission by application), and the year after that Parliament decided that over time Sweden would implement the “unified” school system in the whole country. The Unified School, which changed name in 1962 to “*Grundskolan*” (9-year Comprehensive

¹³ See also Bergström (1993)

¹⁴ The School Commission Study in 1946 (SOU 1948:27): proposed that the municipalities should be responsible for the schools when the *unified school* was introduced. Only the latter part of the proposal was implemented, however.

School), was then introduced gradually in the whole country and the process was complete with the academic year 1972/1973. The transfer of the schools to the national level was met with protests from many municipalities, and also from the teachers and their organizations which were of the opinion that the National Swedish Board of Education¹⁵ and other bureaucracies would become too influential.

At the Ministry of Finance, there was also some criticism.¹⁶ That the schools were transferred to the national government was here perceived as a step away from the division of tasks that the Government had decided upon. Within the Social Democrat movement there was the opinion that the nation should be responsible for economic security and the municipalities for the production of welfare services. According to this model, the schools ought to be a municipal responsibility.¹⁷ The introduction of the “Unified School” was implemented in parallel and symbiotically with the merger of municipalities that was performed at the same time. A driving argument, if not the only one, for merging many smaller municipalities to a few larger ones was that a larger number of students were required to be able to fill up the many different paths of study that the Unified School was initially intended to offer. “This was the prime reason for starting the discussions about a municipal reform, as all our small municipalities – in all over 1 000 – would not be able to implement the school reform.”¹⁸ The merger of municipalities can thus be seen as a result of the school reform, rather than the other way round. Once the merger of the municipalities was implemented however, the idea of

¹⁵ Skolöverstyrelsen

¹⁶ Åberg, interview 2007

¹⁷ Åberg, interview 2007, Carlsson, interview (2007) is of the opinion that there was an idea about who should be responsible for different tasks described above, but that this idea was not a doctrine carved in stone.

¹⁸ Persson & Sundelin 1990, p. 58. Gennser, interview 2007, holds this same opinion.

offering different paths of study – symptomatically – been largely abandoned. Even the reform of the Gymnasium (high-school) which was implemented during the same time period contributed to the drive for larger municipalities. The same was also true for the reforms that were made to create a more unified administration, for example the Court Reform where the jurisdiction of the cities and towns was abolished, the changes within tax administration and the transfer of the police to the national level. One reason for the mergers not being implemented faster was that the process did not have support from all municipalities. In 1969 the Parliament abandoned the earlier voluntary path; and the transfer to the national government of the schools was fully implemented in the academic year 1972/1973.

The Background for the Municipalization

Almost immediately after that the 9-year Comprehensive School had been implemented in the whole country, the question concerning who should be the responsible party came up for discussion. The Minister of Education at the time, Ingvar Carlsson, was of the opinion that a decentralization was the next logical reform step. Before the creation of instruments for centralized control, there was a risk that the school would not be uniform throughout the country, but when these were in place, the municipalities should take over. There was also an interest expressed from the municipalities to take over the responsibility. Even the unions representing the teachers were initially favorable, because they disliked the extensive regulation of the activities the National Swedish Board of Education. Their views did however change after the unions arrived at the conclusion that the municipalities could end up having easily as much influence as National Swedish Board of Education.¹⁹

The national government study on regional guidance²⁰ was the first step towards the municipalization that would take place just shy of 20 years later. In the study, it was proposed that all employees would be hired by the local school boards, but that the terms of employment should be regulated by the national government. The economic conditions would be regulated by the government from this point on. The financial aspects of a municipalization, however, were not discussed at all in this study. Those were to have no role in the process, Carlsson argued.²¹

¹⁹ Carlsson, interview, 2007

²⁰ SOU 1978:65 The study was also called "Länsskolnämndsutredningen"

²¹ Carlsson, interview 2007

Two years later, the so-called SSK-study²² produced a memorandum which discussed whether the municipalities were capable of assuming the main responsibility for the schools. This study, however, never made a deep political impression, but it resulted – in 1978, during the time the center-right Government coalition was in power – in its final memorandum²³ which discussed municipal responsibility for the schools. It was emphasized in this memorandum that a possible ”all-municipal responsibility” would have to be implemented gradually over a long time. The studies continued during the first years of the 1980s with a study from the SAK²⁴ where a decentralization of the hiring of school principals and teachers was proposed.²⁵ The proposal resulted in a proposition²⁶ that regulated the issue of hiring, where certain decentralizations were proposed, but the issue of who would be the responsible party was not discussed.²⁷

During the five years that followed after the *SAK* study was presented, there was almost complete silence on this issue, but in the budget proposition 1985 the issue of who should be the responsible party was again brought up.²⁸ In the proposition, it was proposed that central government regulation of the appointment of school principals should be abolished. That proposition, unlike the studies from the 1970s, can be seen after the fact as the starting shot for the municipalization reform, in that the first concrete step was

²² *Skola, Stat, Kommun*, “School, State [Nation], Municipality

²³ ”Skolan en ändrad ansvarsfördelning, SOU 1978:65” (“Schools – a Change in the Distribution of Responsibilities”)

²⁴ *Skoladministrativa kommittén*, The Committee on School Administration

²⁵ (SAK) (the School-Administrative Committee) named: “Förenklad skoladministraton, SOU 1980:5,” (Simplified School Administration)

²⁶ bill submitted to Parliament by the Government

²⁷ Haldén (1997)

²⁸ Proposition 1984/85:100

taken at that time in transferring responsibility for the schools from the nation to the municipalities.²⁹ In 1988 new government study³⁰ was published. This study became the base for a new proposition from the Government³¹ where it was proposed that the municipalities should take over the main responsibility for the schools. In the proposition, the municipalization is described as a way to create “education according to the academic plan”³² but also as a way to increase the guidance towards goals, straighten out the distribution of responsibilities, give more influence to the students and their parents, and finally to create more efficient and flexible school administration and personnel policy. However, Parliament at this time did not make any decision about municipalization. The next year, the proposition was followed by a new proposition³³ where the same ideas came back.³⁴ In this proposition, the Government claimed that the development that had already happened reasonably should lead to a transfer of responsibilities to the municipalities for the schools, and that the municipalities ought to take over the responsibility starting the academic year 1991/1992. This would then give school personnel increased influence over their work situation and facilitate the movement from

²⁹Ljunggren (1994) p. 91 is of the opinion that the change process started by the Civil Department (handling government wages but also counties and municipalities) under Bo Holmberg proposed “changes of the public sector to make it more user-friendly and less bureaucratic. People should be able to feel that it was easier to get in touch with the national and municipal governments.” Berg. (Interview 2007) is of the opinion that there was nobody that listened to Holmberg. None of the other interviewees have touched on Holmberg when they were asked about factors that sparked the transfers of responsibility. On the other hand, both Twaddle (1999) and Pierre (1993) claim that one of the goals of the reforms was to save face for the Social Democrats. “They were aimed at enhancing the overall legitimacy of the public administration and also at dispatching conflicts triggered by fiscal problems to the local political level.” (Pierre, 1993 p. 387) Because the public sector was perceived as bureaucratic and inefficient, reforms were necessary for the Social Democrats to be able to keep their strong electoral support. This picture, however, is not compatible with the rest of the source material, which describes the municipalization as a very drawn-out process where there was a consensus about the goals. Nor is this picture compatible with that the opposition came primarily from the unions, and from the Liberal Party.

³⁰ SOU 1988:20 ”*En förändrad ansvarsfördelning och styrning på skolområdet*”

³¹ Proposition 1988/89:4

³² That a municipalization would result in education more consistent with the national curriculum can be seen as a paradox, as it can be viewed as easier to achieve this in a centralized operation.

³³ Proposition 1989/90:41

³⁴ In this proposition, some additional suggestions from the government study SOU 1989:113 was included

rule based to goal based education. The proposition, after extensive debate, was passed as law by Parliament on October 26, 1989.

The Political Debate

In Parliament at this time, there was a wide-spread consensus that the school system should be reformed. At the same time, there were wide-spread criticisms regarding how the reform was handled, and that it came to be confused with the concurrent union contract negotiations:

We had to, but it was done the wrong way. [The earlier] system was not manageable, for example regarding union negotiations. The teachers had two employers with which to negotiate, and were not able to bring their pay grade if they changed municipality. Also, the municipalities did not take any responsibility.³⁵

says Gennser who was a member of Parliament for the Conservative Party and responsible for municipal issues. The then Minister of Education, Social Democrat Persson, gives a similar picture:

The teachers were already employed by the municipalities. But, it was the national government that regulated the teachers' salaries and conditions of employment, which, as a practical matter meant that the teachers had two employers. My view was, and still is, that such a split personnel responsibility carries the risk that both organizations end up being passive.³⁶

Economic factors were also brought out as arguments for a transfer to the municipalities. Mainly, the system for financing the school system was regarded as hard to comprehend, and as complicated.

³⁵ Gennser, interview 2007

³⁶ Persson 2007 p. 54

The system for distribution of economic resources was completely bizarre. It was impossible to decide if the schools should have 0.941 percent or 0.916 percent of some sum of money. There were probably only a few persons in Sweden who knew in detail how the system [funding for schools] actually worked.³⁷

Even the then Prime Minister, Carlsson, agrees that the system used at the time was hard to comprehend, and that a system with national funding as a method to direct the schools could not comprise a system with the flexibility that schools with different local conditions required.³⁸ The economic perspective was brought up in the proposition too and it was pointed out that the reform would bring with it that the municipalities would be able to utilize their resources more effectively. Here, there was thus an indication that a more efficient use of resources was expected as a result of the municipalization. That economic considerations would have been behind the proposal is however denied by Carlsson.³⁹ Probably, the truth is somewhere in between, i.e., economy was one of several reasons that the reform was implemented.

Several of the central actors are, however, of the opinion that the main motive for Minister of Education Göran Persson was neither economic nor organizational, but was stemming from the unease he had felt from having the National Swedish Board of Education as a de facto supervisor when he was a member of a city Council.⁴⁰ The then Prime Minister Carlsson states that there is probably some truth to these allegations, and

³⁷ Gennser, interview 2007

³⁸ Carlsson interview 2007

³⁹ Carlsson interview 2007

⁴⁰ Borg interview 2007, Gennser interview 2007

that the municipalization most likely would not have taken place if there had not been a Minister of Education with the courage to take on the mighty teachers' unions. To get a decision about municipalization, it was necessary that the teachers' unions not show a united front against the proposal. That Persson managed to convince the Swedish Confederation of Professional Employees (TCO) of the advantages with municipalization was thus the key to success, according to Carlsson.⁴¹ TCO Chairman Rosengren was therefore to play an important role for the municipalization. Even if the teachers' union that was a TCO affiliate was critical of the reform, Rosengren was a strong supporter of it. Rosengren was of the opinion that municipalization would result in a better work environment for the teachers, as the employer responsibility would become clearer. "Two employers are often the same as no employer."⁴² As an argument for the reform, Rosengren also raised the point that there was a general decentralization trend within the public sector and that it therefore was quite natural to municipalize the schools.⁴³ A decentralization would also lead to increased influence because "interest [will be focused] on the day-to-day work that is performed by teachers and pupils and the political decisions are moved closer."⁴⁴ At the same time, Rosengren claimed that the warnings that the municipalization would lead to reduced uniformity were without foundation.⁴⁵

In its proposition, the Government stated that decisions would be made closer to those who were affected by them, and that communication between different groups within the

⁴¹ Carlsson interview, 2007. Carlsson also states that the teachers' unions around 1970 had been favorable to a municipalization of the schools, which had at the time quite recently been transferred to the national government.

⁴² Malm and Rosengren 1989

⁴³ Malm and Rosengren 1989

⁴⁴ Malm and Rosengren 1989

⁴⁵ Malm and Rosengren 1989

schools – students, teachers, parents and other school personnel – would thus be improved. That the teachers had expressed concerns about the proposal, which among other things would result in changes to the method used when appointing people to positions, was noted in the proposition. In it, the Government expressed the opinion that these issues, instead of being spelled out in laws and decrees, should be handled by negotiation between employee unions and employers or their organizations.⁴⁶ To continue with municipal appointments but national regulation would create “uncertainty and lack of clarity”, said the then Minister of Education, Persson.⁴⁷ This view was shared by both the LO⁴⁸ chairman Malm and the TCO chairman Rosengren, who, in an article published in *Dagens Nyheter* added that municipalization was a solution that would benefit the teachers, and that uniformity would be guaranteed by setting the curriculum at the national level.⁴⁹ In his memoirs, Persson gave a somewhat different picture, and he writes there that there

“[must] be some room for individual judgment [...]. Local deviations and adjustments must be allowed”, and that he understood that the teachers would consider themselves losers from the reform. [I] realized why the teachers mounted such a resistance. The connection with the national government gave them higher status compared with other municipal employees”.⁵⁰

⁴⁶ Proposition 1989/90:41

⁴⁷ Persson 1989

⁴⁸ “*Landsorganisationen*”, The Swedish Trade Union Confederation, an umbrella organization for Swedish blue-collar labor unions

⁴⁹ Malm and Rosengren 1989

⁵⁰ Persson 2007 p. 54

The main criticism from the teachers and their organizations was that through this proposal, they would lose those privileges, primarily better conditions of employment, which they had as employees of the national government, if they became employees of the municipalities. The teachers also expressed concerns that municipalization would bring with it reduced resources for the schools. This line of reasoning was addressed in the proposition by a proposal of an extra 300 million kronor as extra provision from the government in connection with the municipalization.⁵¹ Minister of Education Persson at the same time claimed that the schools were in a crisis and that for this reason, it was necessary that the municipalities took over the responsibility for running the schools, to be able to solve the problems.⁵² Most likely, he is here referring to the schools having an organizational crisis rather than an economic crisis, and that a new responsible entity would have an easier time implementing necessary changes. Carlsson had it that there were no economic motives behind the municipalization and if it was organization, not finances that Persson was referring to, then the two statements are consistent with each other.⁵³

In Parliament, a number of motions were introduced because of the proposition from the Government. Olof Johansson, together with several other members of Parliament from the Center Party, wrote that the proposition should be voted down.⁵⁴ This because Parliament, due to how the issue had been handled, had come to be unintentionally a

⁵¹ Prop 1989/90:41

⁵² Engman 1989

⁵³ Additional support for this interpretation is given by Gennser, who was of the opinion that there was a wide-spread perception both among the municipal politicians and among the municipal staff that a municipalization would contribute to the solution to many knotty organizational problems. In particular, this was true of the problems which many experienced as having with an all too influential teachers' union. Gennser, interview 2007

⁵⁴ Motion 1989/90:Ub2

party to union negotiations as Parliament would decide about the teachers' salaries and conditions of employment.⁵⁵

When the new proposition⁵⁶ was presented, Johansson again requested that it be voted down. He obtained agreement from the Conservative MP:s Gennser, Nyhage, and Haglund and others⁵⁷ all of whom expressed the opinion that the proposition should be voted down because of how the issue had been handled. Gennser and Haglund argued that that the proposition should be voted down because the Swedish Agency for Government Employers⁵⁸ was of the opinion that the proposition should not be carried because they had made an offer in the union negotiations, in which no consideration of municipalization had been given, and referring to the how the government had handled the issues. Nyhage, on the other hand, requested that the proposition be turned down with reference to that the issue of how the national goals were to be achieved had not been sufficiently studied.⁵⁹

The Green Party, through Roxberg and others, requested that the proposition be voted down referring to unresolved questions regarding government financial contributions and goal direction.⁶⁰ They were of the opinion that those questions should be handled in Parliament concurrently with the municipalization issue. The Communists was more

⁵⁵ The confusion of the political process concerning the responsible party and the salary negotiations was probably the underlying cause for the conflict as depicted in the media. As it was seen as necessary (Carlsson, 2007) to have at least one of the teachers' unions support the municipalization, there was ample opportunity to use resistance to the municipalization as a pawn in the salary negotiations. This paid off, as we will see.

⁵⁶ Proposition 1989/90:41

⁵⁷ Motion 1989/90:Ub7, Motion 1989/90:Ub4, Motion 1989/90:Ub5

⁵⁸ *Statens Arbetsgivarverk* or SAV

⁵⁹ Riksdagen (1990/91). *Protokoll 1990/91:44*

⁶⁰ Motion 1989/90:Ub3

favorable than the other opposition parties, which was to be expected as the party votes in Parliament were necessary to keep the Social Democrat Government in power. They wanted to pass the bill, on the condition that the teachers were to have national competency requirements, the government contributions to the municipalities intended for school activities were not to be reduced, and the money should be earmarked. Additionally, the government should offer the municipalities loans to finance improvements of the physical school environment, for example resolving problems with work environment. The party also demanded that national goals for the school be set up, to prevent differences to develop between different municipalities.⁶¹

Leijonborg of the Liberal Party, in his motion referred to that the issue of municipalization should have been addressed in Parliament before it became an issue in union negotiations, and that it would be wrong to decide this issue before achieving clarity about how the government contributions and methods of direction should be constructed.⁶² Leijonborg also highlighted the resistance to the municipalization as an important reason to turn down the proposition. Here, Leijonborg deviated from many others in the opposition by not concentrating on procedural arguments when he requested that the proposition be turned down.

Most opponents raised procedural arguments against the bill rather than criticizing its contents. For example, Gennser claimed, in spite of her proposing rejection of the proposition, that there was a wide-spread consensus across party lines that something had

⁶¹ Motion 1989/90:Ub8

⁶² Motion 1989/90:Ub9),

to be done, and that all the way back to when studies of the issue began, the obvious solution to the problems had been to dissolve the dual responsibility.⁶³ When Carlsson twenty years after the decision was interviewed about how the process had worked, he fully concurred with Gennser and refers to that he as early as in the beginning 1970s had suggested that the schools should be transferred to the municipalities.⁶⁴

Persson concurs with Gennser's description that something absolutely had to be done. He writes "[T]he old system was doomed to die."⁶⁵ Gennser even claims that many people saw municipalization as a decision which in one fell swoop would solve all the problems of the school system.⁶⁶

When the proposal was discussed in the Standing Committee on Education requests were added for increased government payments to the schools. In the memorandum it was proposed, in addition to the extra government payment of 300 million kronor that were in the proposition, an additional payment each year of 50 million kronor for continuing instruction of teachers whose own education was old, for example teachers for grades 1-3.⁶⁷ The Standing Committee, with a majority consisting of the Social Democrats and the Communist Party also supported the latter's proposal. The Committee also emphasized

⁶³ Gennser, interview 2007

⁶⁴ Carlsson interview 2007

⁶⁵ Persson 2007 p 54

⁶⁶ Gennser interview 2007. The Political Scientist Pierre (1993) sees a clear motive for a political consensus for this type of issues. According to him, there is an interest in maintaining the legitimacy of the public administration that transcends party-political boundaries. That is, absence of a consensus will negatively affect all political parties. Pierre 1993 p 389 "[S]ustaining the legitimacy of the public bureaucracy is basically a political – albeit not a partisan– issue "Here, what looks rather like the opposite can be observed: The opposition appeared to believe that too high a level of consensus with the Social Democrat Government would risk being damaging to the opposition – even though they mainly agreed on the substantive issues.

⁶⁷ Here, the reference is to teachers that have been educated to teach grades 1-3, while in the new teacher education program that was introduced in 1988 educates teachers for grades 1-7.

that the municipalization must not bring with it the creation of regional or local differences, and suggested methods to penalize municipalities that did not fulfill the requirements. The requirements did not only specify the education per se, and related factors such as the density of teachers and the size of classes, but also educational materials, school buildings and rooms, school health care and school libraries. Persson (2007) highlights these issues as being central, and is of the opinion that the municipalities did not fully manage to fulfill their new responsibilities:

At the same time, I was fully aware that government direction of the school system would of course remain in the future. The curriculum, [basic] education of teachers and the continuing education of teachers were national government responsibilities, implemented by continual follow-ups and evaluations out in the field, in the municipally run schools. In 1991, when the Social Democrats lost the power of Government, the first part of the reform was implemented. The second part, concerning government follow-up and evaluation, was mismanaged by the new center-right Government. The new Minister of Education, Beatrice Ask, was too weak in her negotiations with the Association of Swedish Municipalities.⁶⁸

The criticisms from the Conservatives were, however, primarily procedural in nature, and they were of the opinion that it was peculiar that such a far-reaching change as the municipalization of schools could be pushed through without more preparation. They also believed that the handling of the issue should have been overseen by the Parliamentary Committee on the Constitution. The Conservatives, on this point, was supported by both the Center Party and the Liberal Party. The Liberal Party highlighted the problem that the

⁶⁸ Persson 2007 p 55. Persson does not, however, mention whether the Social Democrat Governments that were in power after 1994 did indeed remedy these claimed shortcomings or whether they, too, were too weak to prevail in negotiations with Association of Swedish Municipalities.

issue had become a bone of contention in the union negotiations at the time, and that Parliament in this way had acquired a very odd role.⁶⁹

The criticism from the Communist Party and the Liberal Party – contrary to that of the other parties – often addressed the reform as such. The former highlighted the risks that uniformity might be threatened and that the municipalization might lead to savings. The latter concentrated on criticisms from groups of teachers and were of the opinion that a reform that did not have union support should not be implemented, but they concurred with the Communists warnings that a municipalization might bring with it reduced resources to the schools.

The Social Democrat Government line of arguments was mainly based on that it would be to the schools' advantage that the teachers would have only one employer. The teachers' negotiating positions would be improved thereby, and salary negotiations made easier. The Cabinet also argued that decentralization would bring with it that the influence on the school activities from teachers, students, parents and other school personnel would increase.

As Gennser has pointed out, there was a wide-spread consensus between the national government and the municipalities, and also between Government and opposition in Parliament, that the then extant dual responsibility system had problems. The arguments brought forth by the teachers' unions was countered by the Social Democrat Government both with promises of clearer rules for goal fulfillment and increased funding, and with

⁶⁹ 1989/90:Ub9

the argument that the municipal politicians, because of their proximity to the voters, would be forced to prioritize the schools in their budgets, to avoid losing voter support. The objections concerning differences between different localities or regions were met with that the national government would introduce far-reaching systems to follow up and evaluate. At the same time, from the center-right parties, there was criticism of the Minister of Education because he had, by his handling of the issue, contributed to the lengthening and deepening of the teacher conflict.⁷⁰

As previously mentioned, the Liberal Party warned that the reform could lead to budget cuts. Leijonborg, the Liberal Party spokesman on educational issues, wrote in a motion⁷¹ as a response to the first of the propositions⁷² on this issue that there were fears that the municipalization might lead to savings – or at least a reduction in the rate of increase – for example by putting a larger number of students in the same class. Leijonborg referred to the Association of Swedish Municipalities that was of the opinion that the schools already were seen as too expensive. The motion in question, however, was more a criticism of how the municipalization was proposed to be implemented than against the change of responsible party as such.⁷³ It can be noted that Leijonborg used the high cost as an argument against municipalization, whereas Gennser and Persson saw municipalization to make schools more efficient, if not as a direct pretext to reduce the costs.⁷⁴ Gennser produces a picture that is in concordance with that from Leijonborg as to

⁷⁰ Bondelid & Kleist 1989

⁷¹ Motion 1989/90:Ub9

⁷² Proposition 1988/89:4

⁷³ Motion 1988/98:Ub5

⁷⁴ Pierre 1993 p. 388 on the other hand, is of the opinion that the goal of the reforms were *primarily* to reduce costs. "First, they were to help facilitate cutback programs and to protect the Social Democrats from political embarrassment caused by public sector bureaucratization".

the process, and claims that there, across the entire political spectrum, was an insight that change was required and that the split responsibility must go, but at the same time, that municipalization must be accompanied by clear follow-up and inspection procedures to insure that the quality did not suffer.⁷⁵ Persson writes:

The center-right parties never wanted to undo the reform that I pushed through. The reason is simple. It is of course correct that the municipal employee, in this case the teacher, should have salaries that are set by the employer who sees them day to day.⁷⁶

Considering that the criticisms that were directed against the proposal when it first was presented were to a large extent about that the issue had been handled in a bad way, and were not criticisms against the proposal as such, it is hardly surprising that no serious attempts were made to re-transfer the schools to the national government.

In the magazine *SACO-magasinet*⁷⁷ fears was at the same time aired that local politicians would prioritize child care and elder care more than the schools.⁷⁸ Anita Steen, the then under-secretary to Prime Minister Persson, wrote in *Kommunaktuellt*⁷⁹ that the municipalization would not mean that the municipal politicians would have more power, it was teachers, school principals and students who would acquire that.⁸⁰ She also wrote that the municipal politicians would get influence over how the schools would be

⁷⁵ Gennser, interview 2007

⁷⁶ Persson 2007 p 54

⁷⁷ SACO = Swedish Confederation of Professional Associations, an umbrella organization for unions organizing college graduates

⁷⁸ Ahlroos and Starnert 1990. In hindsight, it can be seen that they were wrong. The great pull-backs came in the domain of elder care, where a 20-year trend of increasing expenditures was broken in connection with that the tasks were municipalized. Lakomaa (2008)

⁷⁹ a magazine for and by Swedish counties and municipalities

⁸⁰ Lindgren 1990

organized, and how the environment for the employees and the personnel policies should be improved.⁸¹

SACO's chairman Ullenhag was of the opinion that the decision had been handled incorrectly by first being brought in as part of the salary negotiations, then being moved out of the negotiations, and then again becoming part of the negotiation process. This had had as a consequence that SACO's salary negotiators had been switched from negotiating with the national government and the municipalities, back and forth and even at times in parallel.⁸²

The perception that Persson was a so-called political entrepreneur can be found in varying political camps. There was, with Persson, and with others, a fairly well established opinion that a municipalization would bring with it a possibility to break up positions that had previously been locked, and in particular be able to handle the issue of the influence of the teachers' union over the schools.⁸³ Persson's own experiences of the National Swedish Board of Education from the time when he was a municipal politician is said to have contributed to his interest in the issue.

⁸¹ Lindgren 1990

⁸² Ullenhag 1989

⁸³ Gennser interview 2007, Berg interview 2007, Borg interview 2007, Åberg interview 2007

Results of the Municipalization

Since the municipalization took place in concert with a number of other reforms, e.g. the introduction of school choice, school vouchers and subsidies to independent schools, and the reorganization of the high school system (including the lengthening of some high school programs from two to three years), it is hard to pinpoint the economic effects of the municipalization per se.

The period before the reform saw significant cost increases. Expressed in 1989 prices, the cost per student at the grade school level increased from about 30 000 to about 40 000 kronor per student per year between 1975 and 1989, and the cost per student at the high-school level from about 45 000 to almost 60 000 kronor per year.⁸⁴

After the municipalization, the cost per student leveled out, except in those municipalities that were absolutely the most expensive, where it fell. In the handful of municipalities which, before the municipalization had considerably higher costs than the rest, have subsequently reduced their costs.⁸⁵ The difference between the ninth decile and the municipality with the highest costs was in 1991 close to 40 percent, and that number decreased to about 20 percent by the year 2000. Those who claim that the municipalization brought with it reduced resources thus are correct only with regard to the municipalities that have the highest costs. In other municipalities, the resources have increased or been unchanged. The decision to implement the reform was followed by a

⁸⁴ SCB Statistiska meddelanden U12SM9101

⁸⁵ The municipalities with the highest costs for schools were usually Kalix, Övertorneå, Jokkmok and Ragunda, all in the Northern and sparsely populated part of the country.

substantial increase in the teachers' salaries, but starting the year after the decision, the costs leveled out.

Analysis

The questions concerning the transfer of the schools to the municipalities that are of special interest for further investigation are (i) why the process up to making the decision was so drawn-out despite the fact that the actors, at least as to what the problem was and what the solution was, were in agreement in principle. There was, for example, most likely a Parliamentary majority for municipalizing the schools all the way back to the early 1970s, and (ii) why the municipalization broke the trend of ever escalating costs. Several theories can be employed to answer these questions. No theory can likely be said to totally explain all the actions of the decision makers involved, or why the reform did get the outcome that it did. Rather, it is the case that political decision making is a difficult area to research because so many factors are in play.

There are a large number of theories within economic psychology that potentially could be applicable to the municipalization of the schools. The phenomenon that politicians most often refer to themselves – directly or indirectly – is the proximity effect (Kilham and Mann 1974). Politicians seem to be aware that it is often harder to make a decision that is disadvantageous to a person if the person affected is a person that the decision maker runs a risk of running into – face to face.⁸⁶ According to Åberg, the then Minister of Finance, Sträng, tried, for this reason, to prevent his subordinates from having too much contact with municipal politicians throughout the country. These contacts he

⁸⁶ This is a well-known phenomenon in politics. Myrdal reflects that it was harder to make decisions when he was the Mayor of Mariefred than when he was a Member of Parliament, because in the former case he was at a considerable risk of running into somebody who had been affected negatively by the decision. Myrdal 1982 p 86

wanted to handle himself. If you let the municipal politicians govern the process, the costs would run way up, according to Sträng:⁸⁷ ”In the bunker that was the Ministry of Finance, it was easier to stand up against such demands.”⁸⁸

Considering that politicians with different backgrounds are of the opinion that the proximity effect matters when it comes to which decisions are made, it is interesting to investigate if any part of the outcome of the municipalization of the schools can be derived from the proximity effect. If we start with Sträng’s assumption, we would expect that the transfer of the responsibility for the schools would bring with it that the costs would increase, as a consequence of that the municipal politicians had a harder time than the national government to stand up against demands, for example from teachers, to get more resources. These predictions from the proximity effect can, however, have been counterbalanced by other proximity effect-related factors. One of the demands that the citizens of a municipality make to the municipal politicians can be that they should economize with resources and not use them in a way that is obviously wasteful. This demand too should, according to the proximity effect, be harder to stand up to for those closest to the people affected by the decision. Additionally, there are other factors that may have contributed to strengthen this process. One such effect is that by decentralizing the responsibility for the schools, it became possible to make comparisons between municipalities in a way that had not been done previously. Even if much of the activities of the schools were strictly regulated by the national government, there was room for a certain amount of experimentation, particularly in areas not directly connected with

⁸⁷ Åberg, interview 2007

⁸⁸ Åberg, interview 2007

instruction, such as the buildings and school meals.⁸⁹ The municipalization brought with it that it was possible to point to successful and less successful municipalities, and to make demands to the politicians to imitate successful efforts and avoid those that had proven unsuccessful. Another factor that may have contributed to strengthening the demands for avoiding waste is that problems at the municipal level is often subject to closer scrutiny by the media.

Economic mismanagement in a municipality has a higher risk of being brought to attention by the local press than in national media, and the proximity effect also renders the municipal politicians more sensitive to such criticism. During the period that the schools were run by the national government, the distance was large between those that were influenced by the decisions and those who were responsible for them, and it might thus be thought that it was easier to ignore criticism that pertained to individual municipalities or schools during that period than after the municipalization.

⁸⁹ There are excellent statistics on the different areas of expenditure for the schools, available from the National Agency for Education. Unfortunately, the statistics cover only the period after the reform; to investigate the changes that are discussed in this paper, they are of modest value. On the other hand, the statistics constitute a great foundation for anyone who wants to study how individual municipalities have handled the new responsibility for the schools. One problem with all cost comparisons within the public sphere is that it is hard to measure quality. Since 1997 (regulation 1997:702 concerning accounting for quality within the school system etc.) all schools must make an annual accounting for quality, in writing. The National Agency for Education lists, in its general advice (Skolverket 2006 pp. 22-23) a number of factors that ought to be part of the quality accounting. Included therein are, among other things, "availability and quality concerning educational material, materiel, equipment and school library [...] conditions concerning the work organization and the governing organization [...] the work on learning and education [...] development of leadership and the development of competency of the personnel [...] the work following up how much the students learn, and individual development programs, study plans and intervention programs, and with setting of grades for knowledge, for older students [...]. The fulfillment of goals concerning the goal of the study plans for norms and values." There are thus no accepted general quality measures for the schools that could be compared with the costs to obtain some measure of effectiveness. The weighting of different factors that the National Agency for Education use as constituting quality is clearly subjective and as each school produces the quality accounting of itself it would have little meaning to compare the quality measures for different schools. As a measure of how the quality of individual schools varies over time, they might, however, be useful.

The clearest result of the municipalization was that the costs in the handful of municipalities that had the very highest costs when the reform was implemented ended up being seriously reduced. The costs for schools in other municipalities, on the other hand, were at the same time constant or increased very moderately. This should be explained the proximity effect in combination with changing reference points (Thaler 1980, Gunnarsson, Wahlund & Flink 2000, Helson 1964). The more successful municipalities become the new reference points and the proximity effect can provide explanation to why the municipal politicians cared about it.

At the same time, the municipalization brought with it that it became necessary to calculate just how much the schools did cost, and that costs and potential possibilities for savings thus became visible. Even the transfer by itself from the national to the municipal level can have sparked savings as a consequence of mental accounting effects (Thaler 1980, 1985, Kahneman, Knetsch & Thaler 1991) and by changes in reference points. Expenses that, while the schools were a national responsibility, were not perceived as too large, may have come to seem that way when the same costs had to be paid by the municipalities. When the whole of the National Budget, or the whole of the National Budget for schools, was the reference point, certain of the expenses in some areas may have been perceived as insignificant. These areas of expenditure can, on the other hand, have been perceived as large when the reference point instead was that of the school budget for an individual municipality.⁹⁰

⁹⁰ When evaluating the actual cost development after the reform, it should be considered that several high-school programs, during the period studied, were extended from being two-year programs to being three-year programs. This should have brought with it a general increase in costs. Of course, it is difficult to allow for this cost, as the extension of the two-year programs may have changed the patterns of demand for

Another important psychological factor that may contribute to explaining the results of the municipalization is that the transfer of responsibility brought with it a change of mental accounts and that previously locked positions caused by endowment and status quo effects (Samuelson and Zeckhauser 1998, Kahneman, Knetsch and Thaler 1991, Hartman, Doane and Woo 1991) were unlocked. For example, Ericsson presented this as one of the main reasons why the Association of Swedish Municipalities wanted to municipalize elder care.⁹¹ As long as the counties were the responsible parties “it was impossible to make any kind of change.”⁹² It can be plausibly imagined that the same was true concerning the municipalization of the schools. When an activity is moved, this can be seen as rebuilding the system from the ground up without being locked into how it was done earlier. The new system is framed in a different way which makes it possible to make large changes without those impacted becoming needlessly opposed. Åberg is of the opinion that within the Ministry of Finance, as early as the early 1970s, there was an understanding that it might work this way, but that this did not affect the policies

the different programs, but it is possible to assume that the result in any case would not have been a cost reduction for the schools. This makes the break in the cost development curve brought on by the municipalization even more evident. The school voucher reform does not seem to have had any noticeable effect on these results, most likely because of the fact that the number of voucher-financed non-government schools was very small during the first part of the voucher period, when those schools received 85 percent of the money per student that the municipal schools received, and that the system was changed to that the non-government schools in principle received the same amount as the municipal schools during the later period, when the number of non-government schools started to increase. The non-government schools can thus be assumed to have brought with them neither higher nor lower costs. Possibly, the competition from non-governmental schools may have improved the employment conditions for the teachers by offering alternative employers. This does not, however, appear to have any effect on driving up costs, except indirectly, as the salaries in the non-government schools on average are lower than in the municipal schools. Here, it is possible to speculate as to whether this was balanced by a better work environment and better non-monetary benefits at the non-government schools than in the municipal schools, which in turn may have been forced to compensate with higher salaries. This is an issue that is, however, not studied in this paper. It can, however, be noted that the productivity in the public sector increased rapidly in the 1990s, something that could be attributed to competition.

⁹¹ Ericsson, interview 2007

⁹² Ericsson, interview 2007

promoted. "They were simply not that strategic in their thinking."⁹³ Carlsson (2007) confirms Åberg's description but emphasizes that there were no economic considerations behind the reform.⁹⁴ Obviously, it is impossible to determine if there were any hidden intentions, but the fact that at least the Government wanted to avoid giving the impression that they expected the municipalization to result in different developments in different municipalities in any case indicates that the Government did not try to use this as an argument for change. Instead, the Government emphasized that the municipalization would result in increased uniformity because of the new mechanisms for control that were introduced. Other actors, not leastly the municipal politicians, may however have seen municipalization as a way to break old patterns.

Not just the outcome of municipalization but also the process that lead up to the decision can be analyzed with a starting point in economic-psychological theories. For example, using the theories of loss aversion (Kahneman & Tversky 1979) and mental accounting, we can give an explanation for why political changes are combined with additional funding as bait. This would not have been needed in a world of neo-classical actors, where a change in responsible party in principle would have been an accounting issue. The action was one of moving both responsibility and financing from one political level to another. At the municipalization of the schools, additional funding was doled out to overcome the resistance to change. As the most wide-spread opposition against municipalization came not from within Parliament but from the teachers' unions, the

⁹³ Åberg, interview 2007

⁹⁴ Neither Carlsson, Borg nor Åberg were of the opinion that there were any consideration given to that the salary costs – because of the lower productivity in the public sector – would lead to ever increasing costs for the labor-intensive parts of public activities. Berg 2007 believed that there was probably an awareness of the problem within the Ministry of Finance, but that this did not have any effect on policy.

compensation was primarily in the form of significant salary increases to the teachers that were members of TCO.⁹⁵ In connection with the reform, there was also extra funding made available for furthering the education of the teachers, as an extra carrot to induce them to accept a change.

Economic psychology can also contribute to an increase in the understanding of why the process became so drawn-out. As early as in connection with the finalization of the transfer of schools *to* the national level in the early 1970s, there were discussions about a re-municipalization. At that time, even the teachers' unions were supportive of a municipalization.⁹⁶ The fact that the schools had just been transferred to the national level most likely made it more difficult to immediately reverse that change. A reversal was also made more difficult because the transfer to the national level had been made gradually during a long period. As a consequence, when the schools in the last municipalities were brought to the national level 1972-73, the situation was that, for many, the schools as a national responsibility was already an established fact and for those people this constituted the reference point. Thus, there was already a large group for whom municipalization would be perceived as a loss, and this group can thus be assumed to have been disinclined to change. As the reference point had been moved, that which had earlier been the norm came to be perceived as risky (Kahneman and Tversky 1979, Tversky and Kahneman 1986, Neale and Bazerman 1992, Kahneman 1992). The

⁹⁵ Even the Liberal Party – which was the only party in Parliament that opposed the reform for reasons other than those concerning the decision process – brought out the opposition from the teachers as the primary reason to say no to the municipalization.

⁹⁶ Carlsson, interview 2007

established order, status quo, was regarded as the safe alternative and anyone who wanted a change had the burden of proof.

As both the municipalities and the national government wanted to implement the reform, it was not primarily a battle between different political levels. Instead, it was mostly a problem of getting the teachers' unions to accept the municipalization. As the teachers, as a consequence of the concurrent salary negotiations and the strike received substantial salary increases, this resistance was broken.

That the salary increases came in connection with the decision about municipalization most likely contributed to the fact that the resistance from the teachers' unions faded away. As the two changes, the salary increases and the municipalization, coincided in time it was easier for the teachers to integrate the two accounts⁹⁷. The part that the teachers viewed as a loss, the municipalization of their positions, was thereby extinguished by the gain through salary increases. If the issues had been handled as two separate decisions, it is likely that it had been less simple. Then, the two accounts would have been evaluated in a segregated manner, and the resistance from the teachers would then likely have been greater. From this perspective, the way the Government handled the issue was very skillful. If the decision had been delayed, it would have been more difficult to make this connection.

⁹⁷ Mental accounting can have different effects depending on how the accounts are defined and how they are combined. If we have two outcomes, x and y , and evaluate them together as one account, that is according to the formula $v(x+y)$, i.e. $v(x)+v(y)$, this is defined as being "integrated". If, on the other hand, we evaluate them separately, this is defined as being "segregated". If both outcomes (x) and (y) are positive, segregation will produce a higher total value, because the evaluation function is concave. If, on the other hand, both outcomes are negative, integration should be used because the total disutility is then lower. loss aversion. (Antonides 1991).

Concluding Discussion

The municipalization of the schools differed from other political issues in that it did not seem to have been driven by any external events or by the media, but constituted an internal political process. This process began in the first half of the 1970s when initial studies concerning the issue of responsible party were made, and ended when the reform was implemented in 1992/1993. At any one time, there were other issues on the political agenda that were perceived as more urgent. Thus, in spite of the consensus about the necessity of a reform, and in spite of the fact that the Social Democrat Government, that was in power during most period, was of the opinion that the production of social welfare services was a municipal responsibility, the school issue never made it to the top of the pile. It is therefore necessary to do a historical analysis to find an explanation.

In economic terms, the municipalization was rather about reducing the risk for a feared future cost increase than about directly reducing costs. This is also indicated by the fact that the politicians (the national government) were prepared to add more money in an initial stage to induce those who feared that the municipalization would lead to resource cuts, to support the proposal. It can also be assumed that the issue of responsibility was not an issue that would impact large numbers of voters. Certain secondary effects such as changed conditions of employment and salaries for the teachers and changes to the funding of schools can certainly be assumed to have had some impact, but the connection to the change of responsible party is not clear.⁹⁸

⁹⁸ If the debate about the uniformity is followed, it can be intuited that there were fears that the students might be impacted negatively by the municipalization. An objection that both the Government and the opposition brought out was that the municipalization might lead to differences between municipalities. This created the risk that some students, at least in relative terms, would receive an education inferior to that

The intent of the municipalization was not in any way to change the contents or activities of the schools, i.e. how teaching should be done or what goals it should have. This, in combination with the fact that, in addition, the follow-up of the activities was strengthened in connection with the municipalization, requires that the causes for the break in the cost development curve – which can be observed – must be sought somewhere other than in any changes in the activities per se.

The economic-psychological factors described earlier can provide such an explanation. From economic-psychological theory, the explanation can be sought in that, among other things, the change of responsible created a possibility of breaking with earlier ideas about how the activities should be handled. Costs most likely ended up on other (mental or real) accounts, which lead to other prioritizations. A cost that was viewed as too small to be a reason for corrective action when it was a part of the National Budget (and in particular if it would have to be handled through a general system of grants where the schools were given grants based on a large number of variables) could be viewed as unreasonably large when it was payable by a specific municipality. In the same manner, it can be assumed that the proximity effect led to a clearer connection between demand for school services and school services offered by the municipality. At the same time, the decision was delayed because politicians at the national level were afraid that a municipalization would

given to others. The results in schools during the last 15 years have clearly worsened, but it is difficult to determine if this is because the municipalities are now the responsible party, or because of changes in the education of the teachers, or because of the changes to the curriculums, or because of the new grade system or because of demography. The lowered results are fairly uniform both across the country and comparing municipal and non-governmental schools, and does not appear to have any connection to how much money is spent per student, see further Key Numbers from the National Agency for Education (Skolverkets Nyckeltal) www.skolverket.se

bring with it reduced influence and increased differences between different municipalities as regards to the contents of the education.

Effects that are connected to the Prospect Theory may also have played a role. The decision-makers may have overestimated the negative effects of a change and underestimated the positive effects. With the results in hand, it is also possible to see that even those who warned that municipalization could lead to large resource cuts in the domain of schools were wrong. Nor were those who believed that the municipalization would result in a loss of control over the costs proven right. The break in the trend was instead that the curve became more flat and remained more or less at the cost level of the academic year 1990/1991 cost level.

The study of the process, and its outcome, has produced three clear conclusions regarding the economic-psychological effects: (i) There is a clear break in the cost trend in connection with the municipalization. This is according the predictions that are given by the theory. A change of responsible party makes it possible to break up old locked positions and provides an opportunity to re-examine earlier decisions. This means that a change in the cost trend can be expected. Such a break in the trend can indeed be observed in connection with the municipalization. Before the municipalization the costs were increasing in almost all municipalities, but the change in responsible party was followed by almost a decade of stable costs. The possibility cannot be excluded that other effects play a role, such as institutional changes or changes in value systems in connection with the financial crisis in the 1990s. This is a field for future research. (ii)

Economic-psychological effects can be an underlying cause of why the decision took almost 20 years from the time the first studies were presented, in spite of the fact that there was a wide-spread consensus, and most likely a political majority for a change in responsible party for the schools, during the entire period. On the other hand, loss aversion, both among the voters and the elected, and the resulting status quo effects, can explain this development (or lack of development). By overestimating the negative effects of a change and underestimating the positive ones, extra measures became needed to make a change acceptable. Such a measure appeared when Minister of Education Persson could connect the ongoing salary negotiations to the municipalization issue and use the negotiated salary increases to bring the unions on board. Here, timing was of the essence, because the solution was dependent on the municipalization decision and the salary increases being simultaneous. If the decisions had been separated in time, the expected silver lining effect could not have appeared and it would have been much harder to drive the process to a conclusion.

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