

‘Management by measurement’
Its origin and development in the case of the
Swedish state

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ISBN 91-89658-25-6
ISSN 1404-5052

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A vision of global transformation of public management into a convergent modern' style is likely to be exaggerated because it ignores powerful forces of path dependency and self-disequilibrium – that is, the capacity of management reform initiatives to produce the opposite of their intended result.

Christopher Hood, 1998 p. 195

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Abstract

The paper discusses the origin and development of Management by Results, which today is meant to be applied as a general steering model in the Swedish state administration. The historical presence and stability of this political institution in government is analysed. It is suggested that it can be traced to Program Budgeting, which was introduced in the early 60s. It is argued, that the institution has changed continuously during the last 40 years. However, the changes have principally concerned the *application* of different methods and techniques, whereas many of the methods and techniques *as such* came in place early in the process. And regarding the more fundamental patterns of ideas and thoughts, which constitute the institution, as well as its fundamental objectives, a very large stability is shown in the study.

An attempt is made to explain the constancy of the steering model. The question is brought to the fore by the fact that the learning process has failed in several respects. Experience gained in early stages of the process has not been used later; concrete problems observed in evaluations have only to a limited extent been discussed and related to proposed solutions; results from experimental work have often not been awaited; responsible actors seem to have avoided critical discussions in the surrounding world.

The course of events is explained from a historical-institutional perspective and different theories of bureaucratic power. It is asserted that different initial decisions made around 1960 created different positive feedbacks, which were to have a stabilizing effect on the institution studied. Three such feedbacks are being discussed. *Firstly* it is suggested that early decisions gave the responsible organizations, and specific persons within these organizations, incentives and possibilities to uphold the institution; it has been in their own interest to maintain and develop it. By achieving strong positions at an early stage they have in fact been able to work for this. By organizing activities and persons and by controlling information, the actors have been sure to keep control over the institution. *Secondly* it is maintained that the development work for long periods, and as a consequence of different initial decisions, has been directed by small and rather secluded groups, composed of persons from a small number of organizations. Tendencies towards groupthink have arisen. By mainly discussing internally among themselves, and by shutting off sources which could have given information about alternative perspectives and ways of acting, the persons within these groups have become more and more convinced that continuing developing the institution is the proper thing to do. *Thirdly* it is suggested that one particular profession, as a consequence of different initial decisions, got a firm grip of the course of events at an early stage of the process. From the beginning the institution was to be dressed in an economic-theoretical linguistic garment, which created a great demand of a certain kind of experts within the responsible organizations, as well as within the rest of the public administration. In this way the economic administration was gradually enlarged, with the result that the economic-administrative language gained an even firmer and wider foothold in the public administration, which in turn reinforced the economic profession's grip of the development, and so on. The dominance of one particular profession has impeded new approaches and frequently brought about roughly the same solution, over and over again.

Key words: Historical institutionalism, path dependence, positive feedbacks, social learning, bureaucratic power, bureau shaping, groupthink, bureaucratic professions, the Rationalistic Steering Model, Program Budgeting, Management by Results.

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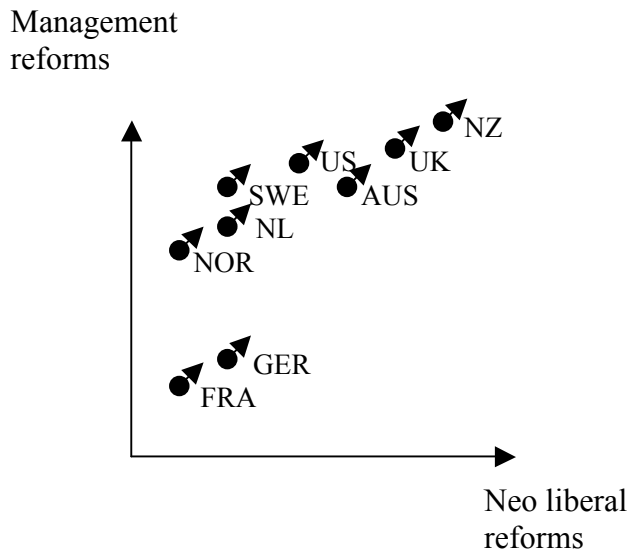
1. Introductionⁱ

For some time now New Public Management (NPM) has been a catchword in the study of public administration. It was coined in the early 90s when scholars summarised what they saw as an important reform trend meant to improve public sector activities in several OECD-countries (Hood 1991; Hood and Jackson 1991; Aucoin 1990). Since then the NPM-concept has been used abundantly by scholars, consultants and practitioners, and today there is no common authorised definition. However, when studying often referred lists of different NPM-characteristics it is possible to distinguish some key features (Lane 2000; Barzelay 2001). A general observation is that NPM reforms can be divided into two categories: one embraces more management-oriented ideas, the other more 'neo-liberal' ideas. To the first category we can assign features like a shift in emphasis from process accountability to accountability for results; an emphasis on management rather than policy; a shift from long-term and poorly specified contracts to shorter-term and more specified contracts; and the devolution of management control coupled with the development of improved reporting, monitoring, and accountability mechanisms. The other category has the market in view and embraces features like the separation of commercial from non-commercial functions and policy advice from delivery and regulatory functions; a preference for private ownership, contestable provision, and the contracting out of most publicly funded services; a preference for monetary incentives rather than non-monetary incentives such as ethics, ethos, and status; and a stress on cost-cutting and cutback management (Boston et al. 1996 p. 26).

If scholars agree that several similar activities are going on in different states around the world, there is much more fuss about how to interpret these similarities. One central question in dispute is whether the international development is marked by *convergence* or *divergence* (Hood 1998; Premfors 1998; Christensen et al. 2002). Advocates of the *convergence thesis* maintain that public sector reform policies in most western states are becoming more and more similar. The development can be understood as a reform wave, where it is possible to distinguish leaders and followers (Premfors 1998). Some countries, i.e. New Zealand, UK, US and Australia, have come far regarding both management oriented reforms and 'neo-liberal' reforms. Others, i.e. Sweden, the Netherlands and Norway, have come far regarding management reforms but are lagging when it comes to the 'neo liberal' part of the package. Still others, i.e. France and Germany, have generally been slower carrying through NPM-

reforms. However, and that's the main point, they are all seen as heading in the same direction (see figure 1):

Figure 1: The development of public sector reform policy in a comparative perspective according to the convergence thesis



When *explaining* the development, two main approaches can be identified among advocates of the convergence thesis. Firstly there are those who see NPM reforms as rational adaptation (OECD 1995; Aucoin 1995; Kettl 2000; Lane 2000; Barzelay 2000). According to this theory most western states came to face just about the same problems (due to changed conditions in economy, technology, and ideology) at just about the same time (with a starting point in the mid 70s). And while regarding states as rational actors, one should not be surprised that they created – or rationally chose – just about the same solutions (NPM-reforms) at just about the same time (from the early 80s onward). This *rational choice*-approach also means that NPM is desirable; followers like Sweden and France *ought to* follow leaders like New Zealand and UK.

The other way of explaining the convergence of public sector reform policy in western states draws upon *sociological institutionalism*. Here, organisations like states are seen as rule followers. Due to resource interdependency, technological uncertainty, and goal ambiguity they tend to aim at appropriate rather than optimal decisions (March and Olsen 1989). They follow trends, and are strongly influenced by how other states act, states they identify themselves with and regard as modern. Therefore they can be described as imitators (Meyer et al. 1997; Boli and Thomas

1999; Sahlin-Andersson 1996). Imitation is more likely to occur when a state loses in legitimacy, which was the case for many states in the mid 70s, during the oil crises. Imitation is also enhanced and intensified by the growth of transnational networks, in which politicians and bureaucrats from different countries meet on regular basis, often together with non-state actors, to communicate policies (both solutions and problems). There are also an increased number of international actors and arenas, acting to spread and further develop NPM-ideas and -techniques (Meyer 1996; Sahlin-Andersson 2001).

Advocates of the *divergence thesis* also recognise that similar activities are performed in many western states and that these activities are more intense in some states. However, they are more reluctant towards the idea that the states are heading in the same direction. Perhaps few would say that the differences are increasing, at least in a more dramatic way. The idea is rather that old dissimilarities, despite all talk about globalisation, isomorphism and the retreat of states, have persisted. In an international perspective public sector reforms have typically varied, regarding rhetoric and decisions as well as activities and effects (Hood 1998; Premfors 1998; Pollitt and Bouckaert 2000; Pollitt 2001; Christensen and Læg Reid 2002).

This approach, which can be related to *historical institutionalism*, suggests that the shape of political institutions to a large extent is determined by the inertia inherent within (local) structures and historical inheritances. Reform initiatives often meet strong resistance from established (local) institutions and actors – not least bureaucrats – who for different reasons prefer and defend these institutions. The three approaches outlined above are summarized in figure 2:

Figure 2: Different interpretations of public sector reforms in a comparative perspective. (Source: Premfors et al. 2003 p. 333, my translation)

	Convergence		Divergence
<i>Description:</i>	Global reform trend towards NPM		Preserved dissimilarities between different states
<i>Explanation:</i>	Rational adaptation to world wide changes in economy and technology	Imitation, due to state's disposition to follow rules and act appropriately	Inertia inherent within structural differences and historical inheritances
<i>Theoretical approach:</i>	Rational choice institutionalism	Sociological institutionalism	Historical institutionalism

A general aim of this paper is to contribute to the discussion about whether public sector reform policies in the western world are marked by

convergence or divergence. More precisely I will describe and explain the development of one specific political institution in one specific state, using one specific approach. The institution is what I analytically refer to as the 'Rationalistic Steering Model', the state is the Swedish one, and the approach is historical institutionalism.

The Rationalistic Steering Model is an interesting object of study because it contains ideas and technologies often pointed out as key features in NPM. At the same time it has been a very important component in Swedish public sector reform policy during the last 20 years, even though it has been called other things, most often Management by Objectives (MBO) or, which is the dominating word today, Management by Results (MBR).

The Rationalistic Steering Model is also an interesting object of study, since there are different stories flourishing in Sweden – among both scholars and practitioners – regarding how this institution was put in place. The dominating story, and the story to be found in official documents and among actors responsible for developing the institution, is (of course) a rationalistic one and fits the convergence thesis discussed above. Accordingly, it all started with the financial crises in the 70s. In this connection the administration soon came under fire, criticised of being too big, too expensive, uncontrollable, inaccessible, and generally difficult to understand. The government responded by initiating two major ad hoc commissions (*Förvaltningsutredningen* and *Verksledningskommittén*), which investigated and discussed the problems at hand and presented a solution – the Rationalistic Steering Model, labelled MBR. In 1988 the MBR-reform was launched through a Government bill, and since then responsible authorities have been working hard implementing the model. They have continuously improved MBR methods and techniques through experimental work and evaluations.

However, when talking to civil servants and listening to scholars – especially those who have been around for a while – one can find an alternative story of how the Rationalistic Steering Model has evolved in Sweden. Here, two interesting points tend to be stressed. *The first* is that the origin of the steering model isn't to be found in the mid 80s but much further back in history. It is stated that the model in fact was introduced in the early 60s, under the name of Program Budgeting, and that responsible actors since then – obstinately, if not to say foolhardily – have been trying to develop and implement the model (Jacobsson 1989; Lindström 1997). *The second point* is that actors responsible for the steering model – in terms of development of ideas and methods, education, information, evaluations

etc. – have been few and formed a rather homogenous and secluded group, highly dominated by bureaucrats (Lægneid & Pedersen 1995 p. 22-23; Pollit & Bouckaert 2000 p. 55-56, 182). This small group of actors have consisted of, it has been argued, *Riksrevisionsverket* (RRV – the National Audit Office) and *Statskontoret* (the Agency for Public Management) under supervision of the Budget Bureau located within the Ministry of Finance (Premfors 1999 p. 167).

Advocates of these two stories have had one thing in common; they have lacked hard evidence – in the form of systematic empirical studies – backing up their arguments. They have barked at each other from a distance, with the critics accusing responsible actors of being close to fanatics, unable to learn from experience and unable to raise their eyes above the technicalities occupying them daily. Responsible actors have answered that they indeed are developing new and efficient steering techniques based on modern ideas and gained experiences, and they have depicted the critics as cynics and reactionaries.

The discussion above raises a number of questions worth posing:

- When was the Rationalistic Steering Model introduced in the Swedish state, and is it fair to say that Management by Results is the same thing as Program Budgeting? To what extent has the development been marked by stability?
- How can the learning process be characterised – has the model been developed and adjusted on the basis of experiences of how it works in practice, or has the learning process failed, and if so, to what extent and in what ways?
- If the model shows a high degree of stability, and if the learning process has failed, how can we understand this?

As mentioned earlier, the last question is approached from a *historical institutional perspective*. This perspective seems interesting in this case because of its concern with institutional stability. However, it is rather recent,ⁱⁱ and during the last ten years it has been diligently discussed and further elaborated. The discussion, partly conducted within the frame of the so-called neo-institutionalism, regard all sorts of questions, from what ontological points of departure the perspective has, to the way in which different analytical tools within the perspective are to be understood and applied. At the same time, studies where these analytical tools are used in a more systematic way, as well as more general discussions about how to use

the tools systematically in concrete empirical studies, are quite hard to find (Thelen 2003). A second more general aim of this paper is therefore to contribute to the discussion on how to regard and adopt the historical-institutional perspective.

The study mainly consists of document studies, foremost collected from agencies that have been responsible for developing and implementing the Rationalistic Steering Model. A large number of policy documents, investigations, Government bills, experimental work, evaluations, publications on information and methods have been scrutinized. These studies have been complemented by some 40 interviews. The interviewees have been strategically chosen and embrace both bureaucrats (top level and lower) and politicians.

The paper is divided into five sections. After this first one – in which I also offer my interpretations of historical institutionalism and of MBR – three sections follow in which I discuss the three questions posed above, one at the time. In a final section I summarise my answers to these three questions, and I also return to the two general aims of this study mentioned above.

Historical institutionalism

The way it is applied in this study, historical institutionalism differs in a fundamental way from its two neo-institutional ‘cousins’: rational-choice institutionalism and sociological institutionalism (for comparisons between the three perspectives see Hall & Taylor 1996; Immergut 1998; Torfing 2001; Peters 1999). These two starts from fundamental and well worked-out ideas about actors’ behaviour: rational-choice institutionalism from ‘Economic Man’, acting from a logic of consequences, and sociological institutionalism from ‘Sociological Man’ acting from a logic of appropriateness. These two ‘models of man’ imply that the perspectives can be characterized as two more full-blown social scientific theories (Premfors 2002). The overall goal of the research within these theoretical perspectives is also to further elaborate and refine these ‘models of man’.

Historical institutionalism lacks a ‘model of man’ of its own (Pierson 1996). It has been stated, and I concur, that the intention is in fact not to create a separate ‘model of man’ or to decide which ‘model of man’ is the best. The historical-institutional perspective has, according to this interpretation, a somewhat different purpose. It is not so much about testing and creating explanatory theories as ‘borrowing’ established middle-range theories in order to explain, through the study of historical processes, the

stability and the continuity of unique and complex phenomena that are considered interesting and important by the researcher (Sinatra 1996). In this work we should not *in advance* decide neither which ‘model of man’ is the most important, nor on which level of analysis the most important actors can be found. The main thing is rather to keep open for explanations of both actor and structure character and for different kinds of ‘model of man’. It is also important to open up for the fact that it can be fruitful to study different stages within one and the same course of events with different levels of analysis (individuals, units, agencies, or the whole administration). Historical institutionalism provides us with a number of tools, which make this work easier. According to this interpretation the perspective is primarily structural, and its character is rather of a methodological than a theoretical kind (Premfors 2002).

Hence, within historical institutionalism an empirical case is not a means of achieving an all-embracing theoretic goal in the same direct way as in rational-choice institutionalism and sociological institutionalism. The case is to a higher degree a goal in itself (Thelen & Steinmo 1992; Sinatra 1996). However, this does not mean that we are dealing with purely descriptive case studies, where the researcher only presents ‘one damn thing after another’. The purpose is indeed to explain events, but these explanations are qualitatively different from those found in traditional variable-oriented analyses (Hall 2003; Tilly 1995). Rather than showing *that* one independent variable has an effect on one dependent variable in a certain, general way, the research should focus on showing *how* different variables stand in relation to each other and influence each other over time (Bennett & George 1997). The important thing is to catch and reconstruct the dynamics and the interplay between many different factors, by making a large number of observations during a long period of time (Hall 2003). However, these observations are not made unrestrained, but are, as mentioned above, directed by middle-range theories. This kind of case method, implying a mapping of the way in which processes are developing with respect to theoretically relevant variables, is sometimes called process tracing (George & McKeown 1985; Hall 2003).

So, what does the analytical tools within this perspective look like? The most central concept is *path dependence*. In the literature different kinds of path dependencies are discussed (Mahoney 2000; Thelen 2003; Peters 1999). The most common one, and the one used in this study, is probably the *self-reinforcing* path dependency (Pierson 2000).ⁱⁱⁱ Such a path dependency can be divided in two rather distinct periods. The first period –

called *critical juncture* – has constituting qualities and is marked by agency, choice, and contingency. These moments of institutional change are followed by periods of institutional reproduction marked by adaptation to institutional incentives and constraints (Thelen 2003 p. 212). The reproduction is driven by what is called *positive feedbacks* or *increasing returns*, implying that the course of events not only is maintained but also reinforced over time. This can be put in another way: Before the critical juncture the area of study has to be organized and regulated in a specific way generating a specific incentive structure influencing important actors within the area to behave in a specific way. During the juncture the way of organizing and regulating changes. And for the juncture to be critical the new way of organizing and regulating must generate a new incentive structure influencing the important actors to behave in such a way that the political institution of study is maintained and reinforced.

Thus, *criticality* is one important feature of self-reinforcing path dependencies. *Contingency* is another. That early historical events are contingent occurrences means that they cannot be explained on the basis of prior historical conditions; the final outcome is always *unintended* and *unpredictable* (Mahoney 2000; Thelen 2003). This means that in a case of political decision making the decision makers should have chosen another option if they had been able to foresee the effects of the decision they actually made during the juncture.

A third important feature of self-reinforcing path dependencies is *sensitivity*. Because events during a critical juncture set into motion institutional patterns that have reinforcing properties *timing* and *sequentially* are important features of path dependency processes. As Paul Pierson notes: “small events early on might have big impacts, while ‘large’ events at later stages may be less consequential” (Pierson 1998 p. 6).

Critical junctures can be, and are often, assessed by counterfactual analyses (Sinatra 1996; Tetlock & Belkin 1996). Here, the investigator imagines that an alternative option had been selected and tries to rerun the course of events. The aim is simply to illustrate the importance of the option actually selected by showing that another option would have had dramatically different effects. As Mahoney notes, this kind of analysis is especially persuasive when the investigator discusses credible options, that is options predicted by theory to be selected, but were not. In this way “the investigator avoids meaningless ‘what if’ counterfactual analysis” (Mahoney 2000 p. 513). Hence, the specification of path dependence is always a theory-laden process. According to Michael Sinatra “counter-

factual arguments cannot really be made in the absence of good theory, and attempts to do so are counterproductive” (Sinatra 1996 p. 34; see also Pierson 1993 p. 597).

In the literature different types of positive feedbacks are distinguished. James Mahoney discusses four types of explanations: utilitarian, functional, power and legitimating (Mahoney 2000). In this study I focus on *power-based* positive feedbacks. The point of departure for a power-based approach is that political institutions distribute power, e.g. resources and information, differently among actors, and that actors therefore also have different possibilities and motives to influence an institution (Thelen 1998). Actors, whose power position is strengthened initially by an institutional arrangement, will consequently have the incentives and the possibilities to act in such a way that the institution is surrounded by further arrangements, which will reinforce their power position even more, and so on. And as hinted above, being ‘first out of the gate’ increases the chances of being successful.

The choice of a power explanation has been guided by the observation mentioned earlier, that responsible actors have been few and formed a rather homogenous and secluded group, dominated by bureaucrats. Thus, when reading documents and interviewing bureaucrats and politicians I have had different perspectives of the power of bureaucracy in mind. During the study three perspectives have been found particularly fruitful in explaining the course of events, here called *bureaucratic empires* (which comprises public choice-theories), *bureaucratic enclaves* (which comprises theories about groupthink), and *bureaucratic professions*.

Management by Results

The contemporary political institution I’m interested in, and the one I intend to trace back in time, is MBR which today is meant to generally permeate the Swedish state administration. What MBR is, is contested, and this paper can perhaps be seen as a contribution to that discussion. Here, I will briefly offer my interpretation of it – the Swedish version that is – based on how it is regulated in present law texts and formal documents.

MBR embraces two main ideas: one is about *delegation*, the other is about *information*. According to the first, politicians should leave ‘smaller’ decisions and decisions of a more administrative character, concerning an agency’s localisation, internal organisation, staffing (recruiting, wages, education etc.), to the individual agency. Such delegation will have two positive effects: Firstly, it will unload the politicians and the ministries so

that they can devote their precious time to politics, which in this case is considered being formulating goals and guidelines for the administration and following up results. Secondly, the delegation will increase the creativity and efficiency among the agencies since they more freely can choose means in their efforts to fulfil their assignments.

The second idea is what scholars sometimes refer to as rationalistic policy analysis. Here, the idea is that agencies can be steered and controlled better through a certain kind of information flow. This flow is characterised by its circulating form and its intensity. In special budget documents the politicians should ‘order’ – from each agency – activities (through formulation of objectives and results requirements) and information about results (through formulation of reporting back-requirements). The objectives should aim at both performances and effects, and each should be related to an appropriation. Each agency is to be given several objectives, aiming at activities deep down in the organisation. Further, the objectives should be as precise as possible – they should be SMART (Specific, Measurable, Accepted, Realistic, and Time specified). The agencies, in their turn, are to report back their performances as well as the costs and the effects of each performance. On the basis of this information they should also make proposals regarding their own future activities. This information should in a final step be aggregated at the ministerial level and form a base for new objectives and results requirements.

2. Has the development been marked by stability?

The course of events from the early 60s, when Program Budgeting was introduced in the Swedish state, to the present day, is marked by both stability and change. This is not a surprising observation. It is hard to imagine any political institution being totally unchanged during a period of 40 years. Over time all political institutions would seem to change in some respect. Does that mean that we, when studying longer time periods, never can talk about stability? What is change, and how many and how big changes can we accept before we stop talking about stability? These are classical questions, and questions which historical institutionalists, studying self reinforcing path dependencies, have to address. They cannot be satisfied with the answer, that the processes they are studying are marked by both stability and change; they need to qualify the discussion.

I try to handle this question by doing an analysis in three steps. In a first step I distinguish different *degrees of change*. Borrowing from Peter Hall

(1993), changes of the first degree concern modifying the precise settings of techniques and methods. Changes of the second degree imply a renovation of the very techniques and methods. And when the techniques and methods *as well* as the fundamental assumptions and objectives on which the techniques and methods are based are being modified, we are dealing with changes of the third degree.

Changes of the third degree

Hall's model of changes might seem as a simple tool to use. However, applying it on a specific case is not always easy. Starting with changes of the third degree, one needs to specify the fundamental assumptions and objectives in order to discuss changes over time. But it is not obvious on what level this should be done. Often it is suggested that the Rationalistic Steering Model is about formulating objectives and following up results. However, this is not a very precise definition, and it doesn't distinguish it from other, and older, models. For example, agencies in Sweden received objectives long before Program Budgeting was introduced in Sweden, and Swedish politicians have been following up results for a long time, not least through ad hoc commissions. To make the discussion interesting and meaningful it is necessary to clarify and make visible what was new – what were the fresh and pioneering assumptions and objectives arriving in the early 60s that make us justify Program Budgeting as a *new* way of steering and controlling public sector activities?

Program Budgeting was introduced in the Swedish state by two major ad hoc commissions: the Program Budgeting Commission (SOU 1967:11-13), initiated in 1963, and the Budget Commission (SOU 1973:43-46) initiated six years later. The first one was doubtless the more important of the two, but it was only authorized to discuss Program Budgeting on the agency level. With the Budget Commission the steering model was discussed as an instrument for the ministries to steer and control state agencies. However, their theoretical approaches, and the way they discussed problems and solutions on a more general level, were almost identical.

According to these commissions a general problem at the time was difficulties to make out the exact cost of specific public services or products. How much payment did the state have to demand from the taxpayers to cover the costs of a visit at the state owned Royal Opera, an education at a state owned university, a soldier, a police arrest etc? Further, the budget documents did neither contain information about why a certain agency received a certain amount of money, nor about what the agency did

with the money. Short of this kind of information the politicians were unable, the commissions argued, to steer state activities towards desirable objectives and to efficiently organize the administration and distribute resources among its different parts (SOU 1967:13). To improve the situation they argued for a new way of controlling state activities, and here Program Budgeting was seen as a solution. The Program Budget Commission declared that the model was an import from the US,^{iv} but that it had to be adjusted to Swedish conditions.

The commissions did not explicitly state what basic assumptions this new steering model rested on, but by looking closer at their discussions it is possible to reconstruct them. A *first assumption*, and perhaps the most important, was that individual administrative units at a rather low level could map out the causal connection between their own performances and the effects of these performances, and that they also could estimate the costs of these performances and effects. A *second assumption* was that the units could, devoid of value judgments, currently report information to higher administrative units, and on to the Government, about the effect and cost of their own performances, and also make impartial proposals regarding the direction and financing of their own future activities. A *third basic assumption* was that information about results from lower levels could be aggregated at higher levels and be made the base for new decisions on goals, result requirements and resource distribution. These goals and result requirements could also – and this was a *forth assumption* – be made clear and measurable by the politicians and then deconstructed into more well-defined goals in a hierarchic chain going deep down in individual administrative organs. Finally, in order to unload the government and the ministries, and to increase the creativity and efficiency among the agencies, the commissions also stated that several decisions regarding ‘smaller’ issues and issues of a more current and administrative kind could be delegated to the agencies. Here, a *fifth assumption* was discernible – that the public sector could be divided into two relatively clear-cut and stable spheres: one political and one non-political or administrative.

From these basic assumptions the main objectives of Program Budgeting could be derived, by simply changing the word “could” in the basic assumptions to ‘should’. Hence, the public sector not only could but *should* be divided into one political and one administrative sphere; the politicians not only could but *should* formulate clear and measurable goals for all different parts of the administration etc.

In 1977 the Government proposed that Program Budgeting should “be transformed” into what was called the State Economic-Administrative system (SEA), a system *RRV* was developing at the time (prop. 1976/77:130). This transformation was seen as necessary because of difficulties shown when experimental work was conducted with Program Budgeting in the early 70s. SEA was presented as a rotating circle showing how ”planning and budgeting” was to be followed by ”accounting and analysis of results”, which in turn was to be followed by “auditing”, which lead back to ”planning and budgeting”, and so on (RRV 1975a). Just as in Program Budgeting the agencies were given a central position in SEA doing strict and recurring analysis of their own results and sending proposals to the Government about their own future activities. On the basis of this information the Government was supposed to make plans (on short and long terms) and to formulate objectives for each agency. Hence, there were striking similarities between SEA and Program Budgeting. On a basic level it is difficult to point at any differences at all. In fact, *RRV* characterized SEA as the Swedish version of Program Budgeting (ibid.), and in 1978 the director of the department within *RRV* responsible for developing steering and control methods declared that the “basic ideas in Program Budgeting have been incorporated in our regular development work” (Sanell 1978, my translation).

When comparing Program Budgeting and SEA on the one hand and my description above of MBR on the other the similarities are not less striking. Worth noticing, is that the Government, when launching the MBR-reform in 1988, explicitly tried to distance MBR from Program Budgeting. In the Government bill it was stated that the implementation of MBR should be done “from another point of departure than when working with Program Budgeting”. It was maintained that program budgeting starts from the formulation of objectives, which were to be broken down in a hierarchical chain. This had been proved difficult, the Government declared. Therefore, when using MBR, the “concrete steering of activities should start from a refined declaration and analysis of results of state activities” (prop. 1987/88:150 appendix 2 p. 70, my translation).

This statement is worth commenting on. It was peculiar. Just a few lines earlier in the bill the Government had underlined the importance of formulating objectives and result requirements. The commissions that the bill was based on – *Verksledningskommittén* – had done the same. The statement was also difficult to understand on a theoretical level. Certainly, one can imagine a ‘pure’ MBO, where objectives are formulated on

different levels without following up results, or goal fulfilments. But here, the Government was outlining a 'pure' MBR, where results were to be followed up on different levels but where no objectives were to be formulated, except perhaps (but it was unclear) on the most general level. The question was then, to what the results should be related? The statement also implied that Program Budgeting was something very different from MBR; that it only consisted of the formulation of objectives and not following up and analysis of results. This was misleading, to say the least. Here, I would like the reader to compare two statements. The first is from the bill from 1988, where the MBR-reform was launched:

The Government shall determine the objectives and main directions for the state activities for a period of three years. The Government shall also state the economical terms for the activities. The agencies are gradually to be given increased responsibility to fulfil their assignments with their own decisional competence. It means a decrease of regulations in detail... The demands on information about, and analysis of, results will sharpen and focus ought to shift from budgeting to follow-up activities and evaluations (ibid. p. 69, my translation).

The second statement is from an ambitious handbook published by *RRV* almost 20 years prior to the MBR-reform:

In Program Budgeting steering is conducted through the formulation of goals and result requirements. The present system [to be replaced by Program Budgeting, (my note)] aims at resources rather than results. Program Budgeting aims at concrete results and gives more room than the present budget system to select means. From the Government's point of view it will be a matter of steering the agencies through the formulation of goals. MBO puts increased demands on the agencies and requires efficient information and accounting systems and also systematically following up activities and analysis of results. Each agency has to be result oriented, result conscious (RRV 1970, the foreword, my translation).

I certainly do not get the impression that two very different steering models are discussed in these two statements. When described on this general level Program Budgeting and MBR seem to be almost identical steering models. This impression only increases when reading legal texts and other documents from different phases of the process covered in this study. It also increases when studying more concrete steering methods and techniques applied during the course of events.

My conclusion is that the five basic assumptions and objectives mentioned above have been the point of departure during the whole process. Some of them have been stressed more than others over time, but not one

has ever been abandoned. They were guiding responsible actors in the 60s when trying to implement Program Budgeting, in the 70s when trying to implement SEA, and in the 80s and 90s when trying to implement MBR.

Changes of the second and first degree

If the fundamental objectives have shown a high degree of stability over time, the techniques and methods developed to realize these objectives have been more changeable. It is not always easy to draw the line between changes of the first and the second degree; the study shows that both have occurred. However, I think it is fair to say that many of the techniques and methods that are used today appeared at an early stage of the process.

For example, already the Program Budget Commission stressed the importance of the Government delegating decisions to the agencies. According to the commission, the Governments decisions on details were to be regarded as “irrelevant bonds”, preventing the agencies from being efficient and creative (SOU 1967:13 p. 13). The commission paid special attention to the far-reaching regulation of appropriations in the annual governmental approval documents (*regleringsbrev*), given to each agency. The regulation regarding wages, recruitments, and administrative expenses ought to be given the form of overall budgeting, it was argued. During the 70s and 80s this was to be repeated several times, and it was also gradually realized, with the introduction of ‘general appropriations’ (*ramanslag*) in the early 90s as a final step. But it must also be pointed out, that new delegation techniques were introduced during the process. The most striking example is perhaps when each agency, in the early 90s, were given an interest account at the *Riksgäldskontoret* (the Swedish National Debt Office), with the possibility to take out loans and to put in savings.

Regarding the other main component of the Rationalistic Steering Model – the rationalistic policy analysis – changes of the second degree have been even more rare. Already the Program Budget Commission elaborated quite a bit on the idea that the Government should ‘order’ both information about results (through reporting back-requirements) and activities (through objectives and results requirements at different levels) from the agencies. The commission also stressed that each agency should *both* report and analyse their own results in terms of performances and the effects and costs of each performance, *and* draw up proposals regarding their own future activities. Here, the methods and techniques have certainly been adjusted and refined during the years; handbooks on how to formulate objectives at different levels and for shorter and longer time periods, and on

how to measure, analyse and present results, have been produced in large quantities. So, the application of different techniques has changed. But the method as such – that the Government more often should order more precise demands about activities and feed-back information from each agency and that each agency currently and exhaustively should report back information about performances and results in different budget documents – hasn't really changed.

My overall conclusion regarding the first question posed in this paper is that the process has shown quite a lot of changes of *the first degree*. Changes of *the second degree* have occurred more seldom, and changes of *the third degree* hardly at all.

3. How can the learning process be characterised?

After using Peter Hall's model of changes of different degrees we now know a little bit more about the development of the Rationalistic Steering Model in the Swedish state administration. But how are we really to judge these changes – have they been reasonable, or should there have been more changes and more profound ones?

To be able to discuss this question we need to relate the changes to something, and I suggest that we relate them to the knowledge and experiences about the steering model that have been available to the actors responsible for developing the model. Here, I assume that the state in itself is an important actor in public decision making (Weir & Skocpol 1985; Sacks 1980) and that responsible actors – both politicians and bureaucrats – normally try to learn from experiences gained by themselves and others regarding different institutions' way of functioning, and that they also, on the basis of these lessons, normally try to change the institutions (Sinatra 1996; North 1993).^v

When adopting this perspective, examining the learning process isn't such an encouraging experience. The study clearly demonstrates that the process has significant deficiencies. Among other things, it shows that responsible actors have been discussing, motivating, and evaluating certain parts of the Rationalistic Steering Model more than others, foremost questions connected to rationalistic policy analysis. The model's other main feature – the delegation of competences – has just 'tagged along'. For example, almost all experimental work and evaluations conducted by responsible actors can be related to questions connected to rationalistic policy analysis. Very little has been done to ascertain the effects of delegated competences regarding wages, recruitments, internal organiza-

tion etc. Furthermore, those experimental work and evaluations that, after all, have been conducted have been quite poor. On this issue, I would like to give some further details.

About the experimental work

That experimental work at all has been conducted can of course be seen as an indication of responsible actors having tried genuinely to test the Rationalistic Steering Model, or at least certain parts of it. However, when examining these experiments one becomes discouraged, for at least three reasons.

Firstly, when reading the directives, and looking at how the experiments have been arranged, it becomes quite clear that they haven't been conducted in order to really *try out* the model but rather to develop and refine it. For example, experiments with Program Budgeting in the early 70s were seen as “a necessary base for further developing”, by responsible actors (RRV 1975b p. 11, my translation). The results were to “deepen the experiences and to develop detailed and concrete systems” (RRV 1975c p. 18, my translation). A Swedish professor of political science, Nils Andrén, stated at the time:

From the beginning, however, it has been perfectly clear that the experiment simply has to be successful and that the major principles of Program Budgeting have come to stay. Only the forms and details, not the basic principles, have been open to challenge and change (Andrén 1976 p. 351-352).

Parts of the SEA reform can be characterized in the same way. In 1978 *RRV* worked out a new ambitious budget handbook which was to guide the agencies when working out their budget requests. The handbook contained detailed information about how to identify, analyse, and describe performances, effects and costs. A few years later the experiments with the new handbook were evaluated. But according to the plans guiding the evaluation the aim was to “increase the interest for modernizing the budget system” and to “produce data and impulses for the next edition of the budget handbook” (RRV 1979, my translation). The handbook as such, and the basic ideas that formed its foundation, were obviously not to be put to the test.

The MBR reform was also accompanied by experimental work. The commission proposing the reform, *Verksledningskommittén*, suggested that experiments should be conducted with its main proposal, the “three year budgeting”.^{vi} But as soon as results were collected the three year budgeting

was to be “carried through on a full scale” (SOU 1985:40 p. 78, my translation). Apparently, *the results* from the experiments had very little to do with this ‘carrying through on a full scale’.

Secondly, decisions about carrying through reforms have on several occasions been made without experimental work being awaited and reported. The Program Budget Commission finished its work without awaiting the results from experiments initiated by the commission itself. This wasn’t due to time pressure; the commission completed its work in time. Instead the commission emphasised the general urgency of starting up Program Budgeting. Later, when the experiments were running, responsible actors prepared handbooks and ran information campaign stressing the excellence of Program Budgeting. Moreover, the Government recurrently praised Program Budgeting while the experiments were running. In the budget bill in 1969 – only one year after the experiments had started – the Government stated:

The analysis and experiments successfully started must now purposefully be completed. As time goes and new experiences are gained the Government will decide on the pace and extent of further reforms (from RRV 1975a, appendix 3 p. 5, my translation).

Another example was the introduction of the agencies’ annual reports (*årsredovisningar*) in the early 90s. This reform was preceded by experiments with what was called annual report on results (*årliga resultatredovisningar*). However, during these experiments the Government initiated a commission which was to examine the possibilities of introducing more sterling annual reports, using the private sector as a model. These two documents – the annual report on results and the annual report – were very similar. The core content in both were the analysis of results, where the agency were to identify, measure, and discuss its performances and the effects and costs of each performance, and also to use this information as a base for proposals about its own future activities. However, the annual report was in a way more ambitious, since it was to be decided by the agency board and not by the director-general alone, as had been the case with the annual report on results. It was also to be audited by *RRV*, which was a unique arrangement in an international perspective. However, despite the obvious similarities between the two documents and the heightened level of ambition the decision to introduce annual reports on a full scale was taken without awaiting the final results from the experimental work

with the annual reports on results. Not even experiences gradually reported from the experiments – which had been going on for several years – were discussed.

Thirdly, decisions about going ahead with reforms have, rather often, been made even though the results from the experiments have been quite discouraging. This was for example the case with the annual reports just mentioned. Here, the experiments revealed severe difficulties in identifying and measuring performances, effects, and costs. It was also shown that information about results wasn't used on the ministerial level. In the same manner the decisions to let Program Budgeting “transform” into SEA in 1977 and to go ahead with three year budgeting in 1988 were taken even though the experiments had revealed severe difficulties.

About the evaluations

During the course of events a large number of evaluations have been conducted by responsible actors. As we have seen, some have been done in connection to experimental work, but most of them have been focusing regular steering and controlling activities. When examining these evaluations one can point at some common features. In general they have all started by reporting a number of *successes*. These successes have mainly been of a rather general character and have often had the form of attitudes, captured through surveys, for example:

- that the agencies have become more conscious about the importance of results,
- that there is a growing interest for the steering model and its different techniques,
- that the interaction between the ministries and the agencies has improved, and
- that the ministries have a better general view of the agencies.

After these successes the evaluators have, as a rule, discussed a number of *setbacks*. Unlike the successes these setbacks have had a more concrete economic administrative character, captured through the studies of documents, for example:

- that the politicians tend to meddle in administration,
- that the politicians state too few and too indistinct objectives and reporting back-requirements,
- that the agencies fail to identify performances and to map out the causal connection between their performances and the effects and costs of these performances,
- that the agencies are disinclined to present proposals about savings and in deepened re-examinations regarding their own activities, and

- that information from the agencies about goal fulfilments isn't used by the ministries.

Finally, the evaluations have contained a set of *solutions*. Here, the uniformity has been most noticeable over the years. The solutions have been four in number:

1. Refine and specify the methods and the techniques.
2. Increase and improve the education and information.
3. Increase the engagement among politicians and bureaucrats.
4. Show patience – the reform is new with many complicated methods and techniques.

A distinctive trait among the evaluations is that these solutions haven't been discussed in such a great detail in relation to the setbacks. Their importance has been taken for granted; there have usually been no discussions of a more basic kind backing them up. However, by looking closer at the solutions one can draw some conclusions about the evaluators' understandings. The first solution – refine and specify methods and techniques – implies that the steering model is not yet fully built, or that there is a (minor) construction fault, which in turn means that politicians and bureaucrats are not able to fully meet demands connected to the model. The second solution – increase and improve education and information – implies that the steering model, and its different methods and techniques, are dim and indistinct, which in turn means that politicians and bureaucrats are not able to fully understand the demands. The third solution – increase the engagement among politicians and bureaucrats – implies that methods and techniques are in place but that politicians and bureaucrats are uninterested in meeting the demands. The fourth solution – show patience – also implies that methods and techniques are in place but that politicians and bureaucrats need time to learn the new methods and techniques (see figure 3):

Figure 3: The relation between proposed solutions and understanding of the problems

Solutions	Understanding of the problems
Refine and specify the methods and the techniques	Unfinished: lack of ability
Increase and improve education and information	Indistinct: lack of understanding
Increase the engagement among politicians and bureaucrats	Uninterested: lack of commitment
Show patience	Running-in period: (temporary) lack of ability

As the reader notices, the solutions suggested by responsible actors have been quite shallow. Problems have been regarded as temporary and have not generated more fundamental analyses or questionings. When differences have arisen between model and practice during the realization, it has constantly been taken as a pretext for the efforts to be even stronger. This is perhaps an expected pattern of behaviour in the short run. However, what is particularly interesting, and remarkable, when studying the learning process over a longer period of time is the fact that responsible actors almost systematically have ignored experiences gradually produced. Knowledge collected through an evaluation has never – and I mean never – been compared to experiences gained through earlier evaluations, and this despite the fact that the evaluations to a very large extent have been conducted by one and the same organization, namely *RRV*. There is plenty of, what a former top level bureaucrat at *RRV* has called, “cloned evaluations” (Furubo 2003). Observations and formulations found in evaluations of the 70s are very similar to observations and formulations found in evaluations of the 90s. As hinted above, to a large extent the same general successes have been reported (and emphasized), the same concrete problems have been reported (and defused) and the same solutions have been suggested (without further relating to the problems observed). And responsible actors do not seem to have actually paid attention to, or maybe not wanted to point out, the fact that the successes and setbacks reported, as well as the solutions suggested, already have been accounted for previously. One gets the impression that the wheel has been reinvented, again and again.

To a ‘popperian’ the process must seem dubious. Never once have responsible actors discussed the question of what observations must be made in order to make way for a more fundamental questioning of the steering model. The evaluations have not been cumulative. The fact that the same severe problems have been observed time after time has not brought about steps forward, e.g. in the shape of studies intended to test the validity of the steering model’s fundamental assumptions. Certainly there have been studies in which the steering model’s assumptions and objectives have been discussed and questioned. But they have been produced by other actors. And even though many of these actors have existed in the very vicinity of responsible actors, the study shows that these critical discussions and questionings never really have got close to and influenced the concrete development work. Through the whole process the Rationalistic Steering

Model's fundamental assumptions and objectives have continued to be the starting point for the work.

My overall conclusion regarding the second question posed in this paper is that the learning process has been failing. Knowledge and experiences available regarding the conditions for forming a functioning information and steering system of the kind repeatedly suggested and tested have not been properly used by responsible actors. Gained experiences have only been used for what Chris Argyris call single-loop learning, i.e. modifications within the scope of dominating and fundamental patterns of ideas and thoughts, and not for double-loop learning, which is about questioning these fundamental patterns of ideas and thoughts as well (Argyris 1990). However, there have been experiences available which, if properly used, should have brought about discussions concerning more comprehensive and, above all, more profound changes, i.e. double-loop learning. In addition, even more experience of that kind could have been collected if experimental work and evaluations had been carried out in a more professional way.

4. Explaining the course of events

Hence, in my opinion something has obstructed learning in the process studied in this paper. But of course, we cannot simply assume that this obstruction has been caused by path dependency. The literature of learning is vast, and here is not the place to account for it at any length. But I do want to point out, that even though ideas about learning can be connected to a rationalistic and instrumental view on behaviour, my understanding is that the bureaucracy – no matter how it is organized and regulated – always will have to act on conditions making a strict instrumental way of acting difficult, i.e. unspecified and contradicting objectives, vague and fragmentary information, incomplete knowledge about causalities between performances and effects, short time limits etc.

The literature also points at a number of more general problems obstructing learning. For example, people tend to exaggerate the risk of dramatic events to occur and of events that recently have occurred to occur soon again. People also tend to assume that dramatic events have dramatic causes and that there are obvious and direct causal relationships between events occurring after each other (Levitt & March 1988). It has also been maintained that simplification and specialization within organizations create different kinds of “myopia” (Levinthal & March 1993). For example, organizations tend to focus on the near future at the expense of

long-term problems, on immediate effects to the detriment of effects where the chains of causality can be expected to be longer, and on successes at the expense of failures.

These problems are hard, and sometimes perhaps impossible, to solve, at least in a more definitive way. Thus, even when politicians organize and regulate the bureaucracy in such a way that path dependencies are avoided learning will not be an easy activity, where actors approach problems unprejudiced and agree on what to evaluate, how to evaluate and how to interpret the evaluations etc. Learning processes will always be marked by struggles and imperfections. This doesn't mean that we have to drop the idea about learning organizations. Just that we perhaps should keep down our expectations about how close to a more strict instrumental learning process the bureaucracy can get (ibid. p. 95).

So, there are a number of problems of a more general kind that interfere with the learning process and which also can be assumed to have interfered in the case studied here. However, in my opinion the learning process has been so defective in this case that it hardly can be accounted for by these kinds of general learning problems. I believe that another phenomenon can account for much more, namely path dependency. In this final section I'm arguing that there are certain events in the process studied which can be interpreted as a critical juncture and other events which can be interpreted as positive feedbacks.

The critical juncture

In this study the critical juncture, according to my interpretation, extend over a period of eight years, from 1956 to 1963. In 1956 the Government, and in practice the Ministry of Finance, initiated an ad hoc commission – the Rationalization Commission – to meet an old and gradually growing discontent with, as the critics put it, the state administration's rigid and inefficient way of working. The agencies responsible for developing and evaluating what we today would call public sector reform policy became a main target. They were criticised of being too finicking and too narrow minded, unable to adopt broader views of questions regarding how to organize and regulate state activities to make them more efficient. However, the critics were above all to be found among the political Opposition. The Government had really no ideas of a more basic kind to be used as a point of departure when reforming the policy area. As a result, the directives guiding the work of the commission became rather general.

Despite the generous space given to the commission, it submitted a most defensive proposal when it finished its work in 1959. This can be explained by the way the commission was put together. It was filled with bureaucrats from the agencies to be examined and reformed. This produced a deadlock (Nybom 1980). The commissioners spent most of their time defending and motivating the existence of their own organizations. The result was a proposal without any interesting and pioneering ideas. According to the commission the best thing to do was basically to let the policy area remain as it were (SOU 1959:22). But this was not what the Government and the minister of finance wanted to hear; they needed a more bold reform proposal to silence the critics (Nybom 1980). Such a proposal was also available. One of the commissioners – Ivar Löfqvist – objected to the commission’s proposal, and instead he wrote his own.^{vii} This proposal was more audacious and implied that the four former agencies within the policy area should be reduced to two. These two agencies were to become rather small and professional, with far-reaching autonomy. Using the latest methods and techniques they were to work on a broad scale focusing questions about steering, controlling, and organizing state activities. One of the agencies, *RRV*, was to focus on control activities, not least the development of modern auditing methods. The other agency – *Statskontoret* – was to focus on organizational questions. *Statskontoret* was the only agency of the former four to survive if Löfqvist’s proposal was realized, even though it was to be reorganized almost beyond recognition. Worth noticing is that Löfqvist himself was acting director-general of *Statskontoret* and at the same time the administrative head (*expeditionschef*) of the Ministry of Finance. Occupying all these positions he had an exceptionally good insight into the reform process, and he knew well the demands and wishes of all important actors.

The Ministry of Finance, and the Budget Bureau which handled the question, took a liking to Löfqvist’s proposal and wrote a Government bill on the basis of it (prop. 1960:126). Holding the pen was the director of the Budget Bureau, Lars Lindmark, who in just a few years was to become the director-general of *RRV*. According to the bill, *RRV* was to become the central audit office. However, it wasn’t to work with auditing only but also with more general questions about steering, planning, organization and control of state activities. Many of these questions were very close to, if not to say identical with, questions assigned to *Statskontoret*. Further, both agencies were encouraged to spread their knowledge among state agencies by informing and educating. *RRV* and *Statskontoret* were also to be closely

arranged in organizational terms. Thus, the director-general of *RRV* was placed on the board of *Statskontoret*, while the director-general of *Statskontoret* was placed on the board of *RRV*. At the same time the director of the Budget Bureau was placed in the board of *Statskontoret*, which was a unique arrangement at the time (Nybom 1980). It was explicitly pronounced that these institutional arrangements were to facilitate co-operation and co-ordination between the two agencies and the Budget Bureau.

So, one central feature of the Government bill was the ideas of integration, co-operation, and co-ordination. Another was the extensive freedom of action given to the two new agencies. As mentioned above, the bill was based on an objection attached to the commission, and even though it was an unusually long objection, it wasn't that comprehensive. Neither was the bill. It contained only vague directives and recommendations regarding the agencies' working methods and internal organization. The boundaries of *RRV*'s non-auditing activities weren't discussed either. It was to a large extent up to the agencies to decide for themselves how to achieve the far-reaching efficiency reforms and economy measures coveted and demanded.

When the two agencies started their work expectations were high. But after just a few years it became clear that the great plans were about to go into pieces. The activities of *RRV* and *Statskontoret* had not changed to any appreciable extent compared to the agencies shut down just a few years earlier; methods and techniques for steering and control remained very much the same. In the spring of 1963 the situation became critical; if new ideas and perspectives of a more basic kind were not soon introduced to guide the agencies in their daily work the agencies could become utterly questioned (Nybom 1980).

At this moment Program Budgeting appeared like a 'catcher in the rye'. It was a private organization – *Skattebetalarnas förening* (the Association of Taxpayers) – that first called attention to the steering model (Amnå 1981). But very soon *Statskontoret* started to investigate and promote the model. That *Statskontoret* acted in this rapid and purposeful way can partly be explained by the recruiting of Sven-Ivar Ivarsson, who had been the president of *Skattebetalarnas förening*. Then, in November 1963 *Statskontoret* wrote a request to the minister of finance asking for permission to continue and extend the investigation, but now together with *RRV* (SOU 1967:11). In its request *Statkontoret* declared that the investigation probably would be of great concern for the whole state and

that it would touch upon a number of questions of a fundamental character. This was also why *Statkontoret* felt obligated to ask for permission to continue its investigation (ibid. p. 10).

On 13th December 1963 the minister of finance approved, on behalf of the Government, *Statkontoret's* request and presented the directives of the Program Budget Commission. But it should be noted that the request wasn't fully met. As mentioned earlier the Commission was only allowed to examine the conditions of introducing the new steering model on the agency level. In the request the whole state – also the ministries – had been included.

The Program Budget Commission was to be arranged in a special way. Formally it was a regular ad hoc state commission. However, just as *Statskontoret* had requested, the assignment went directly to *Statskontoret*, which was to co-operate with *RRV*. This way of arranging a commission inside a state agency was unusual, if not to say unique. The commission was to be led, or supervised, by a group of experts. The general director of *Statskontoret*, Ivar Löfqvist, became the chairman and the general director of *RRV* the vice-chairman of this group. The director of the Budget Bureau, Lars Lindmark, was also assigned together with Lars-Ivar Ivarsson. These men were accompanied by two professors of management and business economics. However, the actual work was to be done by a small working group located inside *Statskontoret*. This group was led by Sven-Ivar Ivarsson.

The Government's approval of *Statskontoret's* request to examine Program Budgeting in December 1963 marks the end of the critical juncture. During the time between this decision and the decision to initiate the Rationalization Commission eight years earlier a number of events occurred that, according to my interpretation, triggered three different positive feedbacks of a power based character. I will end this section by discussing these events and the positive feedbacks in some detail.

A matter of building empires

As mentioned, the way the Rationalization Commission was put together produced a deadlock which cleared the way for two ambitious and creative bureaucrats – Ivar Löfqvist and Lars Lindmark. Early on they both knew that they were to lead the two new modern agencies – Löfqvist as director-general of *Statskontoret* and Lindmark as a member of *Statskontoret's* board and as director of the Budget Bureau, to which the two agencies were subordinated. And according to my interviews Lindmark also knew,

already in 1960 when writing the Government bill, that he was soon going to be general-director of *RRV*. So, I think it is fair to say that the two gentlemen built their own agencies.

Löfqvist and Lindmark were already top-level bureaucrats, and if we are to believe Patrick Dunleavy (1991), and his ideas about ‘bureau shaping’, they were probably not aiming for higher wages or to lead big organizations with a lot of employees. Instead they preferred smaller agencies working with interesting and more general policy problems and populated by ‘the best and the brightest’ giving them high status. Their ambition was now, when they were standing on the highest rung on the career ladder, to accomplish something lasting – to make a mark in history.

In 1963, when it became clear that the new agencies had great difficulties in meeting the high expectations, Löfqvist and Lindmark and their nearest colleagues had strong reasons to look around for a solution – Program Budgeting. This model provided the agencies with new basic ideas about how politicians and administrators could and should act, and how ministries and agencies, and the relations between them, could be arranged for higher efficiency. And if the ideas were shown useful, and worth trying on a full scale, extensive and long lasting achievements of different kinds would be needed of *Statskontoret*, *RRV*, and the Budget Bureau. Therefore, it is understandable that Löfqvist, Lindmark, and their associates indulged in expectations of Program Budgeting, and also that they early tried to take control over the model. It was no coincidence, I argue, that these driving actors quickly initiated an examination of the new model and that they later asked for permission to continue and expand this examination. The granting of this request gave these actors a good opportunity to organize the Program Budget Commission in a way that a proposal could be formed quickly; a proposal characterised by agreement and clarity, that could convince all sceptics about the superiority of Program Budgeting and make them realize that the model necessarily had to be introduced on a full scale in the state administration, also on the ministerial level.

The study shows that these ambitious and driving actors quickly took a firm grip of the process. In just a few years they managed to fill all important positions in both *Statskontoret* and *RRV*, and also in ad hoc commission’s working with these questions. Both *Statskontoret* and *RRV* also came to invest heavily in Program Budgeting during the late 60s. But at the same time there was a growing rivalry between the two agencies about which of the two was to have the main responsibility for the new and

popular steering model. *RRV* come out of the struggle victoriously. Here Lars Lindmark was a very important actor. In 1965 he became director-general of *RRV*, and at the same time he took over the chairmanship of the Program Budget Commission. The year after, he started to reorganize *RRV*. Using Program Budgeting as a base he both reformed the methods for performance auditing and created a new large department for the development of methods for steering, control, and budgeting and also for running information campaigns and education programs. Lindmark also managed to recruit many of the most ambitious and committed actors from *Statskontoret* and the Budget Bureau to leading positions at *RRV*, for example the ‘chief engineer’ of Program Budgeting Lars-Ivar Ivarsson. Here it should also be stated, that both *RRV* and *Statskontoret* generally were very attractive employers in the late 60s and the early 70s. They were regarded as highly advanced and ambitious. Optimism and a go-ahead spirit characterised the work, and they had no problems recruiting the very best academics.^{viii}

All these early investments in Program Budgeting had long-term effects. *Statskontoret* and, especially, *RRV* soon became experts on the new steering model and different methods and techniques connected to it. It became natural for the Government to assign questions about method development, implementation, education, and evaluations to these agencies. Also, it became natural for the Government to send persons from these agencies to represent Sweden in different international arenas discussing steering, planning, and budgeting questions. This provided the two agencies with more resources, more knowledge, and more expertise, which in turn made it even more natural for the Government to give them new assignments, and so on.

The important point here is that this ‘self-reinforcement’ was underpinned by top-level bureaucrats within *Statskontoret*, *RRV*, and the Budget Bureau. They wanted to stay on top of the process. This was not only due to the fact that the model provided them with status and resources. Important was also that the two agencies were built upon the rationalistic ideas they were set to develop and communicate. If these ideas had been found useless it could have weakened the position of the two agencies, and of the Budget Bureau. A failure could also have led to considerable losses of prestige for persons like Lindmark, Löfqvist and Ivarsson, who had invested a great deal in the steering model.

The study shows that the defenders of the Rationalistic Steering Model used different methods in order to keep the process under control. One was

to *(re)organize activities*. As shown above they for example invested heavily in the model. When needed, they also managed to keep activities apart. One example was when the non-Socialist parties in 1976, when returning to power after 44 years in opposition, initiated a commission to examine the organization, steering and control of the public sector. This commission, led by a political scientist (Daniel Tarschys), was rather critical towards the Rationalistic Steering Model and therefore a potential threat to *RRV's* ongoing work with SEA. But instead of communicating with the commission the Budget Bureau and *RRV* simply ignored it and started to work on the budget handbook, which of course would fortify SEA.

Another example of this kind of de-coupling was when the Government in 1995 initiated another commission – *Förvaltningspolitiska kommissionen* – to discuss the organizing, steering and control of state activities. This commission was to a large extent filled with academics, some of them known as critics of the Rationalistic Steering Model. Again the Budget Bureau responded by sidestepping the commission. It initiated a working group of its own, called Vesta. This group was located inside the Ministry of Finance and was partly to examine the same questions as the commission, for example MBR. So, when the commission submitted its proposals, recommending among other things a thorough investigation of MBR, the Ministry of Finance and the Budget Bureau simply replied that they had already started to look into the matter. But in fact Vesta was never assigned to do a thorough investigation of MBR but rather to secure its survival by proposing refinements and adjustments (Ehn 2001).

A second method used by responsible actors in order to keep the process under control was to *(re)locate persons*. In the study a number of examples can be found where responsible actors have picked people they know are in favour of the Rationalistic Steering Model to important assignments and positions. Often these people had a background in the Budget Bureau, *RRV*, or *Statskontoret*. But the study also reveals that responsible actors sometimes have removed people who they have come to regard as troublemakers or reactionaries. The head secretary of *Verksledningskommittén* was one example. His name was Erik Amnå, and just a few years earlier he had written a rather critical dissertation on Program Budgeting (Amnå 1981). The chairman of the *Verksledningskommittén*, also the director-general of *Statskontoret*, was on the other hand strongly convinced of the eminence of the rationalistic steering techniques. He was an energetic man and wanted a secretary by his side that could concoct a

stringent and comprehensible report in a short time. He didn't find that in Amnå, so he was replaced.

Another person removed from his post was the former director-general of *RRV*, Rune Berggren. He criticized *Verksledningskommittén* for promoting steering and controlling ideas, methods and techniques already tried. However, the department at *RRV* responsible for developing these methods and techniques, as well as most of the top-level bureaucrats at *RRV*, was not on his side. And responsible ministers and the Budget Bureau thought of him as a most trying person. So, in 1986 he was replaced by a person with a much stronger commitment to the 'new' steering model.

Finally, and perhaps most important, responsible actors have managed to keep a firm grip of the process by *controlling the flow of information*. The study clearly demonstrates that *Statskontoret*, *RRV* and the Budget Bureau, due to their dominating positions, have been able to decide when to examine the steering model, how to examine it, by whom, and how to interpret the results from the examinations. Very often they have chosen to examine the model by themselves. And the conclusion in these examinations has, which was pointed out above, to a very large extent been that different methods and techniques have been tried successfully. At the same time, responsible actors have recurrently made the point that the reform hasn't yet been fully implemented and that more resources would be needed to finish the work. They have also recurrently made the point that these resources should be given to them because they have worked with these kinds of questions for a long time and therefore possess unique and important knowledge and competence. What they haven't made a point of is that they have made similar promises about near breakthroughs before. Instead earlier experiences and expressed hopes have been suppressed. Over and over the Rationalistic Steering Model has been presented as a new and fresh idea, and this has increased the engagement and the hope of success among both politicians and bureaucrats.

If earlier experiences have been suppressed contemporary experiences have been passed. As mentioned earlier experimental work and evaluations have been handled quite poorly. Problems have not been thoroughly discussed, and the solutions have mainly been about fine tuning. To a large extent they have consisted of putting new labels on old methods and techniques. Responsible actors have also managed to sell – and defend – the model by more general statements about the importance of formulating objectives, following up results, and delegating decisions from the ministerial level to the agency level. By pointing at the simple and obvious,

and avoiding a discussion about the more far-reaching and specific assumptions and objectives characterizing the model, they have succeeded in putting the burden of proof on the critics. ‘What should we do instead?’, has been a common way for responsible actors to defend the model, just as if the responsibility for producing alternative steering models were resting on the critics and not on themselves.

I would like to point out that this first positive feedback – the building of empires – doesn’t mean that there has been a big and over time extended conspiracy, where methods have been used and actions taken in accordance with a giant plan. Neither does it necessarily mean that responsible actors have known about the weaknesses of the Rationalistic Steering Model but continued to promote it anyway because it has provided them with resources, prestige, and interesting work. The point is rather that there haven’t been any incentives encouraging responsible actors to really try out the model and to listen to critics. Instead of coming to a halt now and then and think things through they have constantly rushed on hoping that stronger commitments, refinements, and a changed manner of speaking will make the problems disappear. This has made the steering model a moving target; the hurrying on and re-packaging of ideas and techniques has come to work as an efficient immunize strategy.

A matter of enclaves

Decisions made during the critical juncture did not only give central actors the incentives and possibilities to introduce and hang on to the Rationalistic Steering Model. They also gave the actors the incentives and possibilities to work closely together. The Government bill from 1960 meant that both *Statskontoret* and *RRV* were to develop ideas and methods about steering, planning, budgeting, and control. They were also encouraged to spread their findings through information and education. And a few years later they were given the assignment to examine Program Budgeting together under the supervision of the Budget Bureau. Furthermore, the director-general of *RRV* and *Statskontoret* were placed in each others agency. The basic idea with these institutional arrangements was to facilitate co-operation and co-ordination between the two agencies and the Budget Bureau; it was *not* to produce mutual control.

These initial arrangements had important long-term effects. The study shows that the three organizations which dominated the Program Budget Commission stayed in control through the whole course of events. The study also demonstrates that in every given moment the process has been

dominated by quite a few individuals. Sometimes the majority of these individuals have been found within just one of the three organizations, sometimes within two and sometimes within all three. The interaction between these individuals has been intense and informal, and they have formed what can be characterised as stable cross-organizational groups. These groups have been stable not only in the sense that they have been highly dominated by these three organizations but also because several individuals have attended the groups over long stretches of time, sometimes as long as twenty years.

Early on in the process the Program Budget Commission was a focal point for such a group. It brought together people from all three organizations with an interest in the new steering model. Then, during the early 70s, *RRV* came to dominate the process. However, due to Lars Lindmark's aggressive recruitment policy it was to a large extent the same group of people that was now in control. *RRV* also continued to co-operate with *Statskontoret*, not least through joint information and education campaigns, but they also co-operated around method developing. Later on, the Budget Bureau became a more important actor, but during the late 70s and the early 80s they collaborated very closely with people from *RRV*'s unit for method development. Then, during the late 80s *Statskontoret* gradually became more involved in the process. This can partly be explained by the appointment of Claes Örtendahl as a new director-general in 1985. He had previously been undersecretary of state and responsible for the Government's public sector reform policy. He was very fond of the MBR-reform, which had been worked out under his command as undersecretary of state. But perhaps as important was that a small group of people at *Statskontoret* had become heavily engaged in trying to develop new and efficient methods for measuring performances and effects. It was above all this group who came to work close together with the Budget Bureau and *RRV*'s unit for method development. During the 90s the co-operation between the three organizations continued. However, all the time the group of people actually working with the steering model remained quite small and secluded.

In the light of these facts I think that theories about groupthink can be useful in trying to understand the course of events. Groupthink implies that small groups of people tend to get stuck on a way of thinking about a specific problem and its potential solutions (Janis 1972). Quickly the group become wedded to one way of acting and shut off sources than can provide information about other ways of thinking and acting (Flippen 1999).

The process studied in this paper has been marked by several conditions often pointed out as crucial for groupthink to emerge (Street 1997; d'Hart 1990; Taras 1991; Mohamed & Wiebe 1996). Thus, responsible actors have been handling quite complex questions where certain and final answers have been hard to find. At the same time they have been working in rather attractive environments offering positions with high status, relatively good wages, and stimulating work. Furthermore, there have been a number of strong-willed and charismatic persons in leading positions within these groups.

In this environment criticism against the Rationalistic Steering Model has had difficulties taking root. Early on the actors got hooked on a way of thinking about steering and controlling state activities; what was to be regarded as problems and how they could be resolved. Certainly, there have been group members that have felt unsure about some ideas and methods developed and spread by the group. But these members have not been outspoken, partly because of the complexity and uncertainty surrounding the problems, partly because of the fear of sanctions from other group members, but also because of norms of anticipatory compliance with the strong-willed chiefs and their assumptions, perspectives, and preferred alternatives.

Another reason for doubting members not being outspoken is because the group members have discussed problems between themselves. The study clearly shows that the group members have kept to themselves and refrained from establishing proper procedures for scrutiny and for search of information that could have challenged dominating ways of thinking. The environments have been secluded, and that can be risky. The literature on groupthink shows that many group members avoid expressing their doubts about the dominating ways of thinking and acting within the group. The literature also shows that group members that really try to evaluate the group's ideas and performances tend to search for answers by talking to other group members. But since most of them prefer to keep their doubts to themselves the group will have the appearance of unanimity (Flippen 1999). So, talking to other group members only increases the certainty that the dominating ways of thinking about problems and solutions within the group are passable.

Furthermore, in the literature on groupthink it is maintained that these kinds of secluded and high status groups, working with complex questions, often tend to think in terms of 'in-group' and 'out-group members', where 'out-group members' are depicted as stereotyped and unprofessional (ibid.

p. 152). This has definitely been the case during this process. Early on an opinion arose among the group members that there were only two ways of controlling state activities: through an old-fashioned steering model, based on detailed rules, or through a modern rationalistic steering model, based on objectives and results. This 'dualistic' thought has been very strong during the years and is still very much alive, and it has almost automatically made the critics reform enemies and reactionaries in the eyes of the group members. At times the 'in-group member'-thought has been so prominent that the group members have been subjected to euphoria and ignorance, which is another typical feature of groupthink (Taras 1991). Absolutely sure of the legitimacy of their own mission the group members haven't considered it necessary getting their own ideas scrutinized and tested. That these members have stayed away from arenas where alternative ideas and ways of thinking have been discussed, and that they have refrained from establishing procedures that could have secured a more pluralistic discussion and a broader search for information, do not contradict such an interpretation. Neither does the fact that persons who have left these groups soon have stopped being euphoric and instead turned critical. Typical for groupthink is that the feeling of hubris and arrogance is temporary and that people tend to sober up as soon as they leave the group (ibid.).

A matter of professions

Finally, the study shows that one particular profession came to dominate the course of events from an early stage of the process and as a consequence of different decisions made in the formative phase. Here, the way the Program Budget Commission and the Budget Commission were put together was of great importance. They were highly dominated by people specialized in accounting and budget techniques. The commissions introduced a large number of economic concepts. Efficiency became the main concept. It wasn't unknown in the state administration, but now it was used in a much wider sense than before. It was no longer to be restricted to simple measures of rationalization, but should be a value on par with other traditional values such as democracy, publicity, and the rule of law (Amnå 1981).

The study clearly demonstrates how this massive introduction of economic theory in the discussion about how to organize and steer state activities gave way to a gradually strengthened position for this particular economics profession. From the start the institution was dressed in an

economic-theoretical linguistic garment not very easy for ‘outsiders’ to understand (Andrén 1976). Reports, handbooks, and brochures worked out by responsible actors through out the process have not only been large in number but also ambitious with complicated models and diagrams. And during the whole process bureaucrats and politicians have complained about the steering model as being too complicated and too time consuming and that it to a large extent has been a concern for professional experts with a special kind of competence.

The study shows, that in order to meet the demands of the steering model the agencies have been forced to set up special units led by professional experts. Often the head of these units was recruited from *RRV* or *Statskontoret*. This generated a growing professional network, reinforced by frequent informal contacts and by recurrent information and education campaigns led by *RRV* and *Statskontoret*. This network also had international offshoots since *RRV*, *Statskontoret*, and the Budget Bureau represented Sweden in different international arenas where they discussed questions about budget reforms, steering and control with their colleagues from other countries.

The interviews show that these professional experts gradually heightened their status. During the 70s they quickly climbed from the lower levels to become upper level bureaucrats, often with a representation in the agency boards. Soon, there was a professional establishment within each agency. All this had the effect, that this economics profession took an even stronger grip of the process, which in turn increased the demand for these experts among the state agencies, and so on.

The fact that the process has been dominated by a particular profession can help us to understand the course of events. According to the literature professional experts have a strong tendency to rely on their own scientifically established knowledge (Jacobsen 1997 pp. 64; Hill 1997 pp. 206). They lack the strong loyalty towards their political masters which characterizes the ‘traditional’ bureaucrat. Instead they are loyal to the norms within their own profession and their professional colleagues.

Due to their expertise these professional experts feel they have a right to work with a high degree of autonomy within the area in which their expertise is wanted. The steering and control from ‘outsiders’ should be limited, since outsiders anyway are unable to understand the work that has been assigned to the professional experts (Mellbourn 1979). Certainly, the experts should inform about the proceedings to the ‘outsiders’ they are accountable to. But there is really no need for the experts to explain at any

length how they look at problems and solutions. That many of the setbacks observed during the evaluations haven't been discussed in greater detail, and that the relations between setbacks and proposed solutions haven't been clarified, can be interpreted in this light – the professional experts in charge of the development haven't considered it necessary to explain their ways of thinking and acting in more detail. It would be like casting pearls before swine (Mosher 1982).

As just mentioned, typical for professional experts is also that they turn to their own profession for guidance when running into problems. Within their own organization, on national and international arenas, and in publications specialized in their own field they try to find out how their professional colleagues discuss alternative ways of acting. However these discussions go on within an established 'paradigm' held by the profession, and therefore the alternatives that the experts try out the next time are quite similar to alternatives tried before, *in the eyes of an 'outsider'*. That the same kinds of solutions have been proposed time after time, and that the experts in charge have devoted more time to refining and adjusting the steering model than trying to understand the setbacks that have appeared recurrently, can be interpreted in this way – the paradigm held by the profession simply hasn't offered any alternative solutions.

A counterfactual argument

I have now, in some detail, argued that the period between 1956 and 1963 was marked by *criticality* by showing that a number of events occurring during these eight years triggered three different power based positive feedbacks which since then have underpinned the Rationalistic Steering Model. Here, I will argue that these events were also *contingent*.

If the events that occurred between 1956 and 1963 were *not* contingent we must be able to explain them by the same forces that later supported the Rationalistic Steering Model. That means that it should be possible to explain them by top-level bureaucrats trying to build themselves 'empires', by a tight secluded group of bureaucrats stuck on certain ideas about steering and control, and by a specific economics profession. This is not a very probable explanation, at least not during the first years of this constituting period. In 1956 no such tight group and no such profession had yet emerged. And even if Ivar Löfqvist and Lars Lindmark already then had quite strong positions it is not very likely that they purposefully put together the Rationalization Commission in order to create the deadlock that followed.

I argue that the deadlock was unintended. The bureaucracy that the Social Democratic Party had been building for many years was heavily criticized in the early 50's, and the Government really needed an inventive and well-reasoned proposal to silence the critics, which is why the commission was initiated in the first place. When populating the commission with people from the agencies to be reviewed and reformed the Government, and the minister of finance, were simply trying to use the knowledge and experience invested in these agencies. They were not trying to produce a deadlock – that was an unforeseen consequence. So was – consequently – the space for manoeuvring given to Löfqvist and Lindmark. The Government bill which Lindmark wrote on the basis of Löfqvist's objection to the Rationalization Commission was not very well-reasoned. Rather, it was an emergency expedient for a Government, and an inexperienced minister of finance, in a tight spot. Certainly, one can point at advantages integrating the two new agencies tightly and giving them far-reaching autonomy. However, these advantages were not discussed in Löfqvist's objection or in the Government bill. And more importantly, possible risks with these arrangements were not discussed either. One can certainly have the opinion, that the high level of ambition combined with the wide activity field and the extensive freedom of action given to the agencies should have called for more reflections. Today, it's of course easier to point at the risks, but it really doesn't seem unbelievable that they could have been given at least some attention already at the time for the decision. For example, earlier commissions working within this field had been quite careful drawing a clear line between agencies responsible for rationalization activities on the one hand and agencies responsible for control activities on the other. And it was hardly beyond the intelligible that it could be problematical to intertwine the two new, highly progressive and advanced (as they were believed to be), agencies in the name of co-operation and co-ordination.

Perhaps the risks would have been given more attention if the Rationalization Commission had been put together in another way. One feasible alternative was, I argue, to make the commission a parliamentary one. At the time most commissions of dignity were parliamentary. And notable is, that an earlier commission, which finished its work in the late 40's, and which examined just about the same questions as the Rationalization Commission, was dominated by laymen, not by experts. A parliamentary commission would not have ruled out the possibility of using the knowledge invested in the agencies to be examined. Representatives

from the agencies could have been attached to the commission as experts or advisers. In addition, they could have been complemented by other (external) experts. Such an alternative composition would probably have increased the chances of not ending up in a deadlock and of getting different arrangements more properly discussed. Pros and cons with an integrated arrangement would perhaps have been weighted against pros and cons with a more pluralistic and separated arrangement, which in fact had characterised the policy area earlier. Perhaps such a commission also would have been more careful in giving the agencies such a far-reaching autonomy. It could even have proposed that questions regarding method development should be handled by private organizations. Here, other countries could have been used as models (see Saint-Martin 1998; Hood and Jackson 1991).

Now, I am quite sure that Program Budgeting would have been introduced in Sweden even in this alternative scenario – after all Sweden wasn't the only OECD-country to test the model. However, I'm also sure that the model would have been introduced in a quite different way. Again a parliamentary commission would have been a highly feasible alternative to the Program Budget Commission, which was organized inside *Statskontoret* and which was given such free hands. This was an unusual arrangement that made it possible for the group of people 'first out of the gate' to see to it that the commission was put together in a way that ensured a smooth ride. With a parliamentary commission – composed of politicians, bureaucrats from different agencies, and experts of different kinds – perhaps the proposal would not have had such a strong economic bias. Maybe empirical studies would have been ascribed more value; after all criticism against Program Budgeting was not lacking.

A question of special interest is the roles of *Statskontoret* and *RRV*, both in the work of the commission and in the following efforts to refine, implement and evaluate the steering model. In this alternative scenario the importance of pluralism and mutual control would have been stressed already in 1960 when creating the new agencies. This would have made it more probably letting *Statskontoret* alone handle the examination, development and implementation of Program Budgeting while letting *RRV* act only as an evaluator and auditor. In this way the Government could have derived advantage from the competition between the two agencies which probably would have arisen anyway.

Here, we can also ask if it's possible to begin the counterfactual argument at this point in time that is in the early 60s. Was the decision to

organize the Program Budget Commission according to *Statskontorets* wishes contingent *even in a situation with the course of events prior to that decision intact*? This is more uncertain. According to my interpretation forces had – just because of earlier events – begun influencing the process in a way that made an alternative decision less likely. As discussed above, at the time there was a group of committed people present acting in favour of the decision actually made. However, it's quite hard to determine the strength of this group. The study shows that there also were a group of people inside the Budget Bureau highly unsure of the superiority of the new steering model. The minister of finance belonged to that group. And the fact that he didn't fully granted the request from *Statskontoret* – we remember that he only gave permission to examine the possibility of introducing the model on an agency level – indicates that there perhaps was a possibility to arrange the Program Budget Commission in an alternative way. However, to redirect the course of events more permanently I think such an alternative decision would have had to be complemented by a clarification of, and a separation between, the roles of *RRV* and *Statskontoret* and by stressing the need of mutual control, preferably by making *RRV* a pure auditing agency. And I think that was much harder to do now, in 1963, than in 1960. So, perhaps we can conclude by saying that the decision made in 1963 was marked by *some* contingency, a contingency rapidly fading.

My guess is that the discussions about the Rationalistic Steering Model would have been much more open and critical in this alternative scenario. Here, some interesting events occurred in the late 90s which I think support this thesis. In 1997 the method development activities were broken out of *RRV*, and instead they became a main activity for a new agency – *Ekonomistyrningsverket* (*ESV*). This meant that *RRV* for the very first time was not sitting on several stools at the same time but only on one, the auditing stool. And now suddenly *RRV* performed a volte-face. In an official statement over an ambitious report worked out by the Budget Bureau and *ESV*, in which further adjustments and refinements of MBR were proposed, *RRV* pointed out that the proposals already had been tried on several occasions during the last 30 years and each time with limited success. *RRV* also claimed that the report was marked by a “technical-administrative view on politics and bureaucracy” and that the problems described had been presented in the same way since the days of Program Budgeting. Furthermore, *RRV* stated that “the majority of the problems described actually are basic conditions for political decision making” (*RRV*

2001, my translation). Altogether the statement was – as far as I know – the most critical one ever produced by a state agency, and it meant that *RRV* rejected most of the development work conducted during the last three decades. It should be mentioned that *RRV* just a few years earlier had defended MBR. And it doesn't take much acuteness of thought to figure out that there can be a connection between *RRV*'s sudden willingness to articulate this basic criticism against the Rationalistic Steering Model on the one hand and the fact that *RRV* had just lost its responsibility – and the appropriations – for the development and implementation of the steering model.

5. Conclusions

In this paper I have discussed the origins and the development of Management by Results (MBR), which today is meant to permeate Swedish state administration. Three questions were posed. The first one was about this rationalistic steering model's historical presence in the Swedish state. It was shown that MBR has striking similarities with other steering models tried out in the Swedish state during the last 40 years. Regarding fundamental assumptions and objectives it is fair to say that one and the same steering model has been used since the 60s when Program Budgeting was introduced. Different methods and techniques that have been developed in order to realize these fundamental objectives also show a considerable stability. Certainly, new ones have been added while others have been abandoned, but at the same time it was concluded that many of the methods and techniques central to MBR appeared already in the 60s. What has been changed to a much larger extent is the application of different techniques.

The second question was about the learning process. Changes observed in connection to the first question were put in relation to knowledge and experiences available to actors responsible for developing the steering model. Here, it was assumed that responsible actors normally try to learn from experience gained by themselves and by others regarding the steering model's way of functioning. It was also assumed that the actors, on the basis of these lessons, normally try to change the institutions. If the trend of events has been characterized by path dependence this learning process was expected to 'limp', e.g. because of insufficient collection of knowledge or doubtful interpretations of the knowledge collected.

It was shown that the learning process had significant deficiencies. The way experimental work has been arranged reveals that they haven't been

done in order to really try out the model but rather to develop and refine it. Also, decisions about carrying through reforms have on several occasions been made without experimental work being awaited and reported. And rather often decisions about going ahead with reforms have been made even though the results from the experiments have been quite discouraging. Furthermore, it was concluded that responsible actors almost systematically have ignored experiences which have been gradually produced. Experiences collected through an evaluation have never been compared to experiences collected earlier, even though the evaluations have been conducted by one and the same organization, *RRV*. There are plenty of “cloned evaluations”. Observations and formulations found in evaluations of the 70s are very similar to observations and formulations found in evaluations of the 90s. To a large extent the same general successes have been reported (and emphasized), the same concrete problems have been reported (and defused) and the same solutions have been suggested (without further relating to the problems observed). And responsible actors do not seem to have actually paid attention to, or maybe not wanted to point out, the fact that the successes and problems reported, as well as the solutions suggested, have already been accounted for previously. The conclusion was that experiences gained have, to a large extent, only been used for single-loop learning, i.e. modifications within the scope of dominating and fundamental patterns of ideas and thoughts, and not for double-loop learning, which is about questioning these fundamental patterns of ideas and thoughts as well. However, there have been experiences available which, if properly used, should have brought about discussions concerning more comprehensive and, above all, more profound changes, i.e. double-loop learning.

The third and final question was about explaining the course of events, and especially the constancy of the Rationalistic Steering Model. It was established that there certainly are many different circumstances which limit organizations’ learning ability. In this case, however, the learning has been so defective that it hardly can be explained by such general learning difficulties. Instead it was asserted that the insufficient learning process to a large extent can be explained by forces of a *path dependence* character, and that the process would have looked different if these forces had not been operating.

The character of this path dependence was discussed in some detail. A path dependence process is introduced by a constituting period, a *critical juncture*. It was maintained that such a juncture is characterized by

criticality, in the way it constitutes a point of refraction between two different incentive structures. The new incentive structure creates positive feedbacks, i.e. the structure is formed in such a way that the behaviour of central actors in the area has a stabilizing effect on the institution being studied, which in turns makes the actors even more important, and so on. Critical junctures are characterized also by *contingency*, since the consequences of the choices made during the juncture are unintended and unpredictable. Finally, these constituting phases are marked by *sensitivity*, since seemingly small events occurring early on can have a significant effect in the long run, which also means that actors being ‘first out of the gate’ will have an advantage compared to other actors.

With these tools of analysis at hand the period 1956-63 was interpreted as a critical juncture. It was asserted that different events and decisions made during these years triggered three different kinds of positive feedbacks which were to have a stabilizing effect on the institution studied. These three forces were interpreted from three different perspectives on bureaucratic power: bureaucratic empires, bureaucratic groups and bureaucratic professions.

Firstly, it was maintained that different decisions made during the critical juncture gave a small number of responsible organizations – in particular the Budget Bureau, *RRV* (the National Audit Office) and the *Statskontoret* (Swedish Agency for Public Management) – and some persons within these organizations, the incentives and the possibilities to uphold the institution. As it happened, it was in their own (self)interest to maintain and develop the institution. By achieving strong positions at an early stage they were in fact able to work for this. By organizing activities and persons and by controlling the information flow, the organizations have been able to keep and strengthen the control of the institution.

Secondly, it was maintained that the development work for long periods of time, and as a consequence of different initial decisions, was directed by small and rather secluded groups, composed of persons from the above mentioned organizations. Tendencies towards ‘groupthink’ have arisen. By mainly discussing internally among themselves, and by shutting off sources which could have given information about alternative perspectives and ways of acting, the persons within these groups became more and more convinced of the fact that continuing development of the institution studied was the proper thing to do.

Thirdly, it was maintained that one particular profession got a firm grip of the course of events at an early stage of the process and as a

consequence of different decisions made during the critical juncture. From the beginning the institution was to be dressed in an economic-theoretical linguistic garment, and ‘outsiders’ have through the whole course of events had a hard time trying to understand and apply different methods and techniques connected to the steering model. This had the effect that there was a particularly great demand of a certain kind of experts within responsible organizations, as well as the rest of the state administration. In this way the economic administration was gradually enlarged, with the result that the economic-administrative language gained an even firmer and even wider foothold in the public administration, which in turn reinforced the economics profession’s grip of the development. The dominance of one particular profession has impeded new approaches and frequently brought the same solutions back, over and over again.

Historical institutionalism – some lessons

My hope is that this study has been an illustrative example of how the historical institutional perspective can be used in a concrete empirical inquiry and that it has demonstrated how different analytical tools within the perspective can be applied. For example, in establishing a *critical juncture* I have stressed the importance of applying some energy trying to demonstrate that the juncture has been marked by criticality, contingency, and sensibility. In order to make a path dependency explanation credible the researcher really needs to discuss these features at some length and argue in favour of their presence.

The study also shows that it can be difficult to separate the constituting part of the path dependency (the critical juncture) from the reproducing part (the positive feedbacks). In this case there have been different positive feedbacks present supporting the institution. However, these forces were triggered at different times during the critical juncture. The ‘empire force’ was triggered already in 1956 due to the way the Rationalization Commission was put together. The other two forces can also be traced back to this point in time, but they were not really triggered then. Rather, certain conditions were created necessary for them to be triggered later on, and these conditions were the triggering of the ‘empire force’; the events that later triggered the two other forces – the intertwining of the two new agencies and the way the Program Budget Commission was organized – can partly be explained by the ‘empire force’. Here, the process during the critical juncture bear traces of a reactive path dependency. However, these

events were marked by *some* contingency, and *enough* contingency for me to stretch out the critical juncture all the way to 1963.

As the study demonstrates, a critical juncture can be a quite long process – eight years in this case. Here, the concept 'critical juncture', or 'formative moment' which is sometimes used, isn't that apt, and perhaps not even without risk. They can generate an idea that the researcher has to identify a more instantaneous constituting event. Perhaps we should talk about critical or formative *phases* instead of junctures and moments.

Regarding the three positive feedbacks, they have all been power based, but they were interpreted from three different bureaucratic perspectives of power. Hence, regarding motives, intentions, and rationalities the actions underpinning the development have been quite varied. This might give rise to the question how these three forces relate to each other. Can the three perspectives really be combined when explaining one and the same course of event? Is it possible that responsible actors have supported the Rationalistic Steering Model by acting *both* strategically and with their own wishes and desires in mind, which is assumed in the 'empire force', *and* non-strategically and with the public's wishes and desires in mind, which is assumed in the other two forces? I think it is possible. The study shows how this problem is handled within the historical institutional perspective, at least as I interpret it.

Firstly, important actors have been studied on *different levels*. This has made it possible to interpret the actions of these actors at different levels from different bureaucratic perspectives of power. For example, I would say that the 'empire force' have been more applicable on higher level bureaucrats than on lower, while the opposite applies for the other two forces. Secondly, the problem is handled by *making use of history*. All three forces haven't been equally prominent through the whole course of events. Instead their importance has varied over time. The study shows that the 'empire force' was most important in the beginning of the process, while the 'professional force' became more important later on. The importance of the 'enclave force' has been varying more.

This way of reasoning might puzzle the reader. I have earlier maintained that path dependencies are sustained by *self reinforcing* forces. But here I am saying that one force actually has decreased and another one varied in importance. How can that be? Here, I would say that the term 'self reinforcing' could be misleading. It has a strong deterministic connotation. However, the kinds of path dependencies studied here do not proceed automatically. After all, we are dealing with social processes, and the study

clearly shows that it takes *active actors* for the course of events to maintain its direction. For example, the 'empire force' has been exercised by actors *actively* reorganizing activities and persons, and controlling the flow of information. In the same way it has taken active actors for the other two forces to proceed. And it's really *this level of activities* that have decreased (in the case of the 'empire force') and varied (in the case of the 'enclave force'), not the Government's inclination to assign missions and direct funds to these actors.

New Public Management – a story of convergence or divergence?

I think this study clearly shows that New Public Management (NPM) isn't a story solely about rational adaptations to worldwide changes in economy and technology or imitation due to a state's disposition to follow rules and act appropriately. At least in some cases the forces of adaptation and imitation are complemented, if not to say superseded, by forces of inertia inherent within local structural differences and historical inheritances.

An interesting question is which countries and which NPM reforms are best fitted with the theses of convergence and divergence respectively, and why. Here, more systematic comparative research is needed, not least regarding the divergence thesis. And of course, I would recommend the Rationalistic Steering Model being an object for such comparative research. One basic idea with this steering model is that decisions should be based on experiences gained at earlier stages. But when examining the Swedish actors responsible for developing the model and their own ability to conform to this idea it has obviously been limited. She or he who wants to argue that the Rationalistic Steering Model have been used when developing and implementing the Rationalistic Steering Model in the Swedish state administration will certainly have to make an effort. Have responsible actors in other countries been more able to conform to this idea, when trying to develop and implement the model?

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ⁱ This paper is to a large extent a summary of my dissertation: *Stat på villovägar: Resultatstyrningens framväxt i ett historisk-institutionellt perspektiv (The Wayward State: The development of Management by Results in a historical institutional perspective)*. The paper was presented at the European Group of Public Administration (EGPA), study Group 2: Productivity and Quality in the Public Sector, 1-4 September, 2004. All kinds of comments are welcome to the following e-address: goran.sundstrom@score.su.se. I would like to thank Rune Premfors for giving useful comments on this paper.

ⁱⁱ The anthology, *Structuring Politics. Historical Institutionalism in Comparative Analysis* from 1992, by Steinmo, Thelen and Longstreth, is usually considered a starting point.

ⁱⁱⁱ Another one is *reactive* or *evolutionary* path dependency. Unlike self reinforcing path dependencies, where an early institutional pattern is reproduced and stabilized over time, reactive path dependencies imply that early contingent events starts a chain of reactions giving the development determining properties. The development is reactive in the sense that each occurrence in the course of events partly is a reaction to the previous occurrence; each occurrence in the course of events is dependent on the previous occurrence and the cause of the following one (Mahoney 2000). Katharine Thelen discusses what I would like to point out as a third kind of path dependency (Thelen 2003). Perhaps it can be called *incorporative* path

dependency. Like self reinforcing path dependencies Thelen is interested in political institutions that persist over long stretches of time. But here institutions are not underpinned by stabilizing and self reinforcing forces triggered early on in the process and which then stays constant through the whole course of events. Instead the forces supporting the institutions changes over time. Some institutions seem to survive because new actors are incorporated in the process while it proceeds. These actors may succeed or act side by side with the actors who previously supported the institution, and they have other motives, other possibilities, and other ways of exercising their powers. Also they may add new properties to the institution in order to bring it in line with changing social, political, and economic conditions – and to make it more useful to them. This can also include a redirection of the institution to a new set of goals. Thus, much change can be going on beneath the surface of apparently stable formal institutional arrangements. But even if the institution is ‘conquered’ by new actors the institution as such will not be abandoned or destroyed. Thelen refers to this as processes of “layering” (additional institutional arrangements) and “conversion” (a redirection of the institution to a new set of goals) (Thelen 2003).

^{iv} Both civil servants from the Budget Bureau and delegates from the Program Budget Commission visited US in the mid 60s, just as Robert McNamara and Lyndon B. Johnson was about to introduce Program Budgeting on a full scale in the federal administration (SOU 1967:11 p. 18).

^v Following Peter Hall social learning is here defined as “deliberative attempts to adjust the goals or techniques of policy in response to past experience and new information” (Hall 1993 p. 278).

^{vi} The idea with three year budgeting was that the Government should give the agencies appropriations for three years instead of every year. This should give the agencies more freedom to choose means in their missions to fulfil objectives stated by the Government. At the same time the agencies were to work out more ambitious declarations and analysis of their own results. The Government was also to specify the agencies’ objectives more in detail, and to specify what kind of result information it wanted each agency to report back.

^{vii} According to the regulation a commissioner of a state commission has the right to object to the proposal, or parts of it, submitted by the commission. Such an objection is to be attached to the commissions’ proposal.

^{viii} In 1974 one of Sweden’s biggest morning papers presented a long article describing RRV’s popularity: “The fact is that RRV due to its enthusiasm has started to get the people’s ear. Constantly people are calling to talk about problems. Nowadays, school classes are visiting the agency as good as daily, and to young academics attending RRV’s trainee course seems like heaven on earth. Last year 1 200 tried to get in, only 10 made it” (*Dagens Nyheter* 30th January 1974, my translation).