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JOURNAL OF NORDREGIO

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Stellae Polaris

THE NEW ICELANDIC regional policy plan for the period 2002 – 2005, unveiled in January of this year, marks a bold attempt to counterbalance the very real possibility of a country in danger of being reduced to having a thriving capital area at the same time as it faces the ongoing depopulation of its hinterland.

Being the most sparsely populated country in Europe with only 3 inhabitants per square kilometre and a total population of little more than 280.000, it is certainly a challenge in its own respect to create some kind of balance when there is so little actual population to distribute in absolute terms. The process of urbanization and the concomitant concentration of economic activity therefore threatens to leave substantial parts of the country uninhabited.

With few if any alternatives to simply accepting the situation where Reykjavik and its immediate surroundings becomes the only growth area in the country, the government has proposed a plan that lists numerous projects for implementation, but also one that more interestingly points to three additional growth poles beyond the capital area. Ísafjörður in the northwest, Akureyri in the north and Egilsstaðir in the east are thus all to be supported in an effort to consolidate them as regional strongholds.

Among these three, Akureyri will be in a central position. Viewed as the regional centre for the Eyafjörður area with around 20.000 inhabitants, Iceland's second city is planned to reach some 40–50.000 inhabitants in the foreseeable future, performing the role as the only strong alternative to Reykjavik, and serving as an advanced centre for goods and services across all of North and East Iceland.

Undoubtedly the genesis of this idea can be found in earlier works developed for Tromsø in Norway, Rovaniemi and Oulo in Finland, or Umeå in Sweden. The stallae polaris of the north has thus become successful ventures in all these countries not least because these regional centres were given crucial roles to play in the cross-sectoral coordination of regional development.

Interestingly enough, the thinking behind the upgrading of Akureyri takes as its point of departure the position of the town as the country's second university location. This means that the logic of development runs in much the same way here as it does in Tromsø, Oulu and Umeå. Other sectors are however to be drawn upon as well, notably that of communications, which will be up-graded in order to facilitate Akureyri's integration with the rest of the country.

From a more theoretical point of view, the inspiration behind the new regional plan in Iceland does not seem to differ substantially from the growth pole inspired doctrines that reigned in the field of regional policy throughout the 1960s. Though the basic elements of the economy have changed dramatically, with manufacturing having lost much of its importance to knowledge-led services, themselves now viewed as the primary means of re-vitalizing regions, the need to coordinate massive investment in infrastructure in order to create useful synergies seems however to be as crucial as ever.

The test for Akureyri in its possible ascent to the ranks of the polar stars of regional development will be found in the ability

of the government and parliament to allow for the investments in the area to be sufficiently concentrated and plentiful to take the town over the threshold.

In the midst of such processes there likely will be a significant amount of national turmoil over such decisions and allocations. This is only natural as every community and every region in every country wants a fair share of attention and resources. One of the bright spots in this regard is that rapid population growth in Iceland at least harbours the prospect of a bigger cake to be shared out in future. This may also be true economically speaking, as the country's power resources are far from being fully exploited.

Several decades of experience with regional planning in the Nordic context have clearly shown

“The stallae polaris of the north has thus become successful ventures in all these countries ...”

that a country wanting to develop its periphery should not be shy about concentrating its efforts in a few selected places. The northern capitals of Norway, Sweden and Finland clearly prove the case. And even more so, Iceland has no alternative but to create a handful of regional growth centres to counteract the dominance of Reykjavik.

If successful, Iceland will – by means of its new regional plan – pave the way for an historical about-turn in the country's settlement pattern, as well as helping to put in place a more bifocal institutional set-up. National competition is thus, according to any number of historical observations, mainly for the good. ■

The Geographical Focus of Regional Policy

All Nordic countries are members of the European Union or of the European Economic Area, and are therefore subject to EU/EEA competition rules. According to these rules, direct public support to individual businesses is in principle prohibited. However, there are exceptions to the rules for regions lagging behind economically.

by Hallgeir Aalbu

In Nordic regions that are considered weak from a European perspective (as defined in Article 87 (3)(a) of the EU Treaty, and in Article 61 (3)(a) of the EEA Agreement) or have a very low population density, a maximum of 30-35% net investment support is allowed for small and medium-sized businesses. For regions that are considered weak from a national perspective (as defined in Article 87 (3)(c) of the EU Treaty, and in Article 61 (3)(c) of the EEA Agreement) a maximum of 20-25% net investment support is allowed. The aid ceilings are 5-10% points lower for companies with more than 250 employees. Outside the support areas, up to 10% investment aid is allowed for SMEs independent of location.

Within these limits, aid ceilings may differ between the countries depending on national priorities and negotiations within the framework of the EU/EEA competition rules. The geographical definitions of support areas and the aid ceilings have to be notified to the European Commission (for Denmark, Finland and Sweden) or to the EEA Surveillance Authority (for Iceland and Norway). The countries can then develop their national policies within the agreed limitations. Investment aid is of course not given as a right to individual companies, as the countries themselves decide on the budgets for their industrial and regional policy measures. The aid actually given can therefore be considerably less than the maximum aid ceilings.

These areas include 23,7% of the total population in the Nordic countries, as compared to 46,7% of the population in EU15. There are significant variations between the Nordic countries: the highest population coverage is found in Finland and Iceland with about 40%, while Sweden is the EU country with the lowest coverage with 15.9% of its population living in national support zones (Table 2.1). We should also note with interest the limited numbers of people living in regions where high aid levels are allowed, as well as the differences between countries regarding maximum aid levels: despite common legislation, there is obviously considerable room for manoeuvre, and thus for national practice. ■

Danish ministry of regional affairs identified

by Jon P. Knudsen

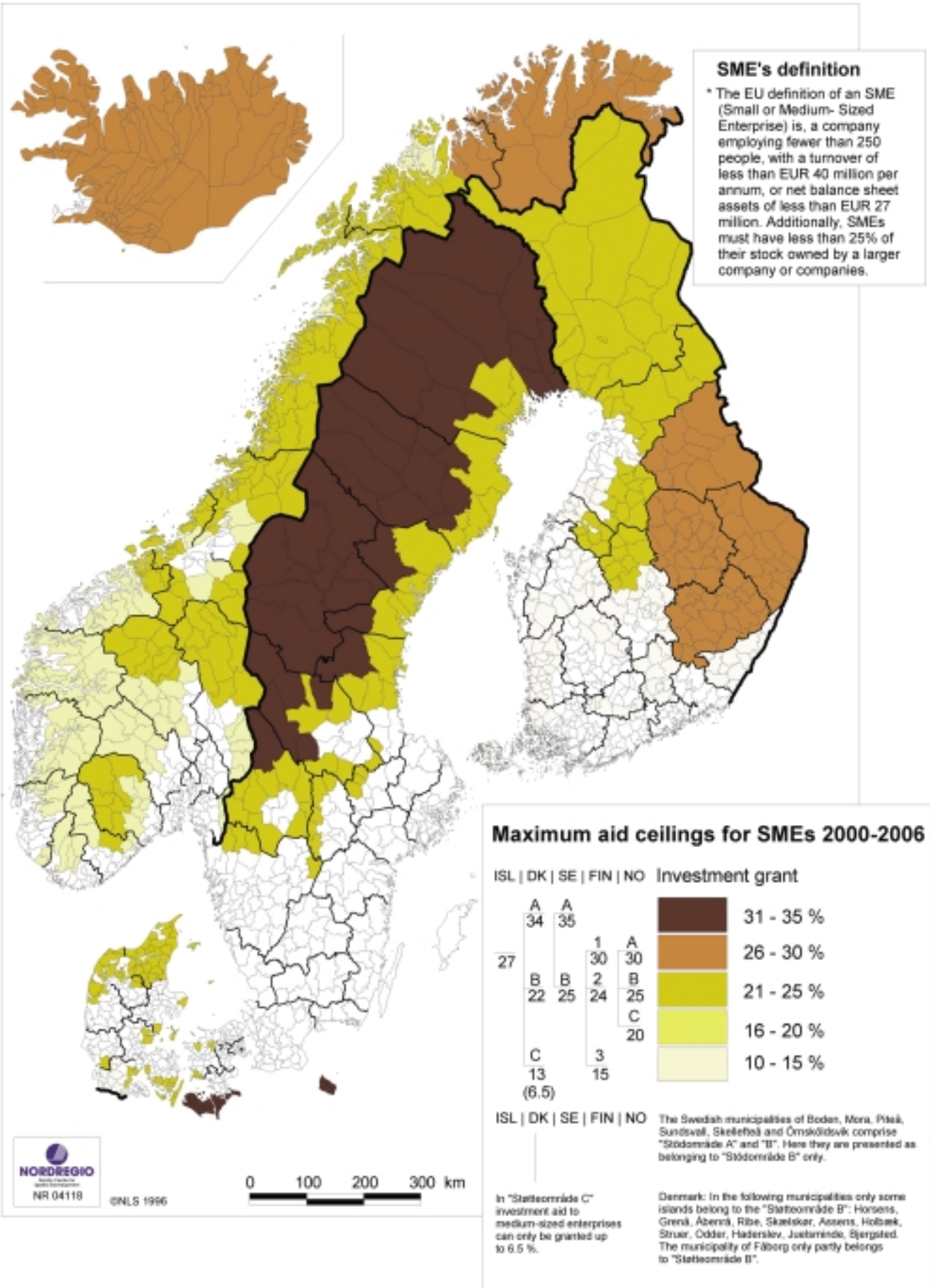
THE HOARY OLD, and occasionally disputed question of control with regard to Danish regional policy looks finally to have been settled, as the new Danish Ministry of Economic and Business Affairs has finally taken over the role of co-ordinating regional questions. The Ministry for Interior Affairs will continue as was previously the case however to produce the yearly regional reports to the parliament, though the task of co-ordinating the regional efforts of the Ministry for

Interior Affairs, the Ministry of Environment and the various other sectoral ministries will nevertheless be placed with the Ministry of Economic and Business Affairs. As can be seen from this issue's interview with the Danish minister of economic and business affairs, Mr. Bendt Bendtsen, the ministry's leading role in regional policy is designed to enhance the business climate throughout the country and to spur the economic development of all parts of the country.

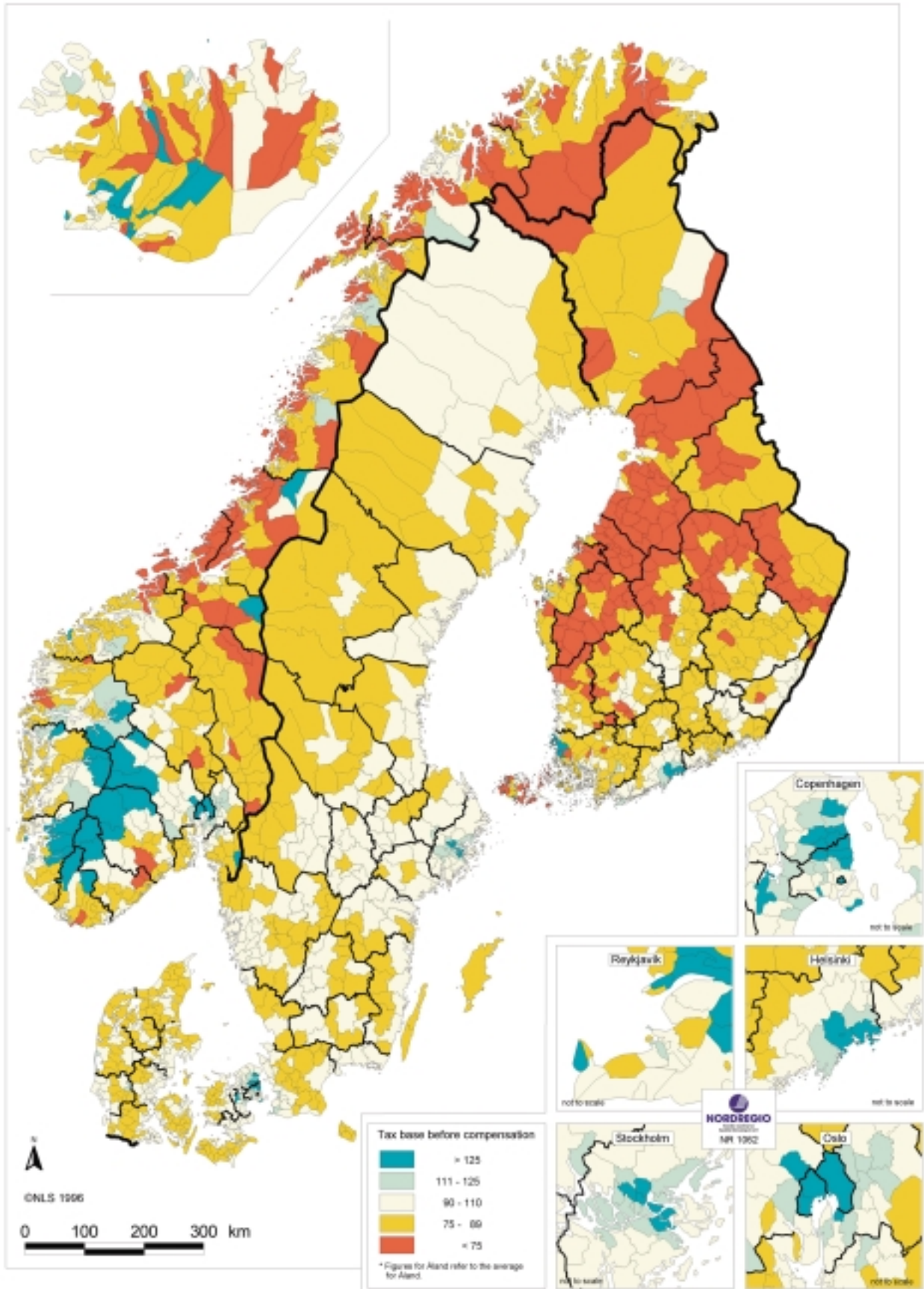
This turn of events can be seen to fall into line with what

has already been observed in other Nordic countries over the last few years, notably in Finland and Sweden, where an ideological shift from the redistributive term, "regional policy", to the more growth-oriented term, "regional development policy", has taken place. Given the alleged change of ideological system following the succession of governments in Denmark last autumn, this change in regional policy emphasis is thus rather logical. ■

National Support Zones



Tax base of Nordic Municipalities, index, country average* =100



Practical Handbook to Municipal Income Jungles

Grasping the nature of the municipal income system within a given country can be difficult enough in itself. Hans Nyström at the Nordic Council of Ministers has undertaken to present a comparative guide to the regional levelling effects of the municipal income systems in all the Nordic countries.

by Jon P. Knudsen

The impression of the Nordic model as one is increasingly giving way to the exploration of a multitude of institutional arrangements and policy schemes. The field of municipal income systems is no exception to this. Though the prime role of municipalities is to produce welfare services at the local level, the way this is accomplished, financially speaking, varies a lot, as does the way in which economic equalization on the communal scale is accomplished.

There is, so to speak, an element of regional policy built into the financial frameworks of the municipalities through the national transfer arrangements aiming at levelling out the variations in municipal economic conditions. The regional policy component is most overtly stated in the Norwegian system and less explicitly so in the Swedish system, though the actual levelling of the economic resources at the disposal of the various municipalities is most developed in Sweden and least developed in Denmark.

Variations in costs and incomes are dealt with in two ways, through national redistributive systems or through inter-municipal models of transfer. These are general models applying to given parameters such as population size and structure. In addition, most countries have special measures targeting communities that become exposed to temporary crises such as factory closures and structural transformations of the industries in place.

Looking at the economic role of the municipal sector, there are also substantial variations between the Nordic countries. Taken as a relative share of the nation's total GDP, the municipal sector of Denmark in 1999 accounted for 31 percent, the corresponding figures for the other countries being 23 (Sweden), 18 (Norway), 15 (Finland) and 11 (Iceland). Most of these variations can be explained, though, by variations in municipality responsibilities. Taking Iceland as the most deviant case in the one end, the state is for instance responsible for more of the health care and the

schooling system than in the rest of Norden.

Likewise, the income structure varies substantially between the countries. Whereas the Icelandic municipalities generate 77 percent of their income from local taxes, and Sweden and Denmark 60 percent, only 41 of Norwegian municipalities' incomes stem from local taxation. Not surprisingly, Norwegian municipalities compensate this by taking 40 percent of their income from national transfers.

More details on the municipality fiscal systems are available through the publication "Kommunala utjämningssystem i Norden". Nord 2001:2. København: Nordiska ministerrådet. The contents and analyses of this instructive handbook has been made available through a project conducted by Jan Mønnesland at Norsk institutt for by- og regionforskning (NIBR) on behalf of the Nordic Council of Ministers. ■

New Regional Plan to Be Adopted in Iceland

In February the Icelandic government adopted the country's new regional plan for the years 2002–2005. The Parliament will follow suit in May. A bold policy design to establish new regional growth centres will be the immediate result.

by Jon P. Knudsen

The plan proceeds by focusing on five strategic objectives:

- Growing and diversifying businesses
- Strengthening communities
- Enhanced knowledge base
- Improved transportation
- Emphasis on sustainable development

Among the twelve subsequent themes designed to flesh out these general objectives, perhaps the most interesting proposal is to enhance the growth of Akureyri and the Eyafjörður area to some 40–50 thousand inhabitants in the foreseeable future. This implies a doubling of the present population. The measures to achieve these goals build on a cross-sectoral effort entailing the relocation of higher education,

public services and transportation investments to facilitate Akureyri's integration with the rest of North and East Iceland. A special proposal will be prepared aiming at this venture as a cooperative project between the state, local authorities and various organizations.

The debate has already been joined over this measure, being as it is the most serious attempt in modern Icelandic history to counterbalance the influence of the capital by establishing a competing centre of growth.

Discussions has also taken place over the need to place other centres on the list, but realism has made the government realize that the country's population and resources do not suffice to cater for yet another second centre of similar size. Thus the level of attention given to other regional centres,

such as Ísafjörur and Egilstaðir, will be of a more modest scale.

The national policy to reduce the number of municipalities to around 40 to 50 is once again stated, and legal measures to achieve this goal are indicated. The government also proposes to make use of road tolls to facilitate and speed up the rate of new projects, notably with regard to bridges and tunnels. All of which aims at the improvement of the national road network.

The new Icelandic plan can be considered a follow-up to the previous prototype regional plan that expired last year. What renders this new plan as being particularly noteworthy is its high ambition and its insistence on sectoral contributions to enhance the country's regional balance. ■

Swedish small businesses and consultants excited about EU initiative – but report completely different effects

Swedish Small Business and the EU

7500 businesses and more than a hundred business consultants participated in the Small Enterprise (SME) Initiative for Sweden, which wound up last year. The programme cost nearly half a billion SEK, one-third of which came from the EU. Today practically all the participants agree that this EU programme to encourage growth was a success, but their assessment of its concrete results varies greatly. According to the consultants' reports to NUTEK, employment objectives were met and better, while few of the SMEs can point to any such measurable effects.

by Lars Olof Persson

The Small Enterprise Initiative was a part of EU Structural Funds programming to encourage growth in small businesses. Participants included businesses in the travel industry, small-scale food industry, metal- and woodworkers, machine shops, IT and computer firms and companies from all sectors imaginable. The SME initiative for Sweden was approved by EU in 1997 and covered three areas:

- Opening up new markets
- Applying IT in business
- Environmental strategies as a competitive advantage

With business consultants as leaders of over 125 different projects, great numbers of businesses in the interior of Norrland, in Bergslagen and Blekinge, on the islands of Öland and Gotland and in the archipelagos received help in participating in trade fairs, setting up their own websites, improving language skills, making their businesses environmentally-friendly and networking with other businesses.

Before decisions were made on EU financing, each project leader was required to specify precisely the project's goals according to three indicators: the expected number of jobs saved or created, number of hours of competence upgrading, and number of businesses expected to develop networking co-operation. Following the conclusion of the project, the same project leaders then were responsible for reporting the results in terms of these same indicators.

In the evaluation of the SME programme which Nordregio has carried out at the request of NUTEK, the conclusions of these official final reports were followed up with a survey, on the one hand, of project leaders and, on the other hand, of participating businesses. The evaluation report is entitled "Evaluation of the Operating

Programme *Small Enterprise Initiative in Sweden*" (Utvärdering av det Operativa Programmet Småföretagsinitiativet i Sverige) and is published by NUTEK (in Swedish).

Businesses satisfied with the outcome – but few can or wish to evaluate its effects

The businesses which participated in the SME project and were interviewed following its conclusion can be divided into three groups with regard to the effects of the Small Enterprise Initiative:

– Businesses who feel that the SME project was stimulating but that its effects are impossible to quantify. This group is the largest of the three. Many projects have involved courses, e.g. in IT applications, languages, marketing, environmental management, where small business entrepreneurs met, got to know one another and began to grasp the importance of networking. They report that the project gave them inspiration, support, new contacts, "energy to keep going" and possibly competitive strength for the future – but few concrete results as yet.

– Businesses who regard the SME project as having been of little significance for them, which does not necessarily mean that they are dissatisfied with the project. This group includes, for instance, businesses who did not feel especially involved in the project. One of the reasons for this may be that they did not themselves seek to join the project but were contacted by a project leader or a fellow participant??. There are also a number of businesses here who worked on export initiatives, which often turned out to be more difficult than expected.

– Businesses who feel the SME project has had a major impact and produced concrete effects. This applies only to one in seven of the companies interviewed. Among them were firms who received a great deal of individual con-

sultant help, professional help with innovation, design and marketing.

The project leaders report a substantial fulfilment of objectives

According to the project leaders, the result for the SME programme as a whole came surprisingly close to expectations. According to the objectives set, there were to be, for instance, 6588 new or saved jobs; according to the final reports this objective was exceeded: 7060 new/saved jobs were reported.

The entire programme has – also according to the final official reports – been calculated as having an efficacy of almost 50 new or saved jobs per SEK 1 million in EU funds. For the same amount of EU funding a further 75 firms are said to have established networking co-operation and staff participated in almost 4000 hours of competence upgrading.



Lars Olof Persson

The reported high precision in fulfilment of objectives comes as a surprise when we examine the distribution of reported effects among various projects. Within the programme as a whole, it was in fact reported that one-third of all the projects had not resulted in a single new or saved job. And only 15 percent of all the projects account for about half of all the reported jobs resulting from the programme.

In the survey as well, most of the project leaders report very positive experiences of the SME initiative. In addition, project leaders say almost without exception that they are certain that the

quantified effects they reported to the secretariat at NUTEK correspond to the reality in the businesses themselves! For no less than two-thirds of the total number of projects, the consultants attribute the major portion of the effects achieved squarely to the SME initiative. Many project leaders even claim that the SME project has had spin-off effects on other businesses in the region, i.e. which were not directly involved in the project.

“The growth programme was successful – but growth declined”

Nordregio's evaluation shows nonetheless that the programme was felt to be a success in a number of areas. Firstly, it has been a mobilising programme, with a variety of projects and effective implementing organisation. The projects' focus on education and exchange of experience was experienced as interesting and absorbing, both by consultants and participating firms. The project therefore met with wide acceptance from participating businesses. The SME initi-

ative has turned out to be a useful learning process for many small enterprises. That the initiative attracted enthusiastic consultants as project organisers is definitely clear from the survey we carried out.

It is difficult, if not impossible, to evaluate the efficacy of the actions undertaken. The range in answers to the question of how many jobs and other indicators resulted from a specific injection of resources is very wide, from one action to the next, from one firm to the next and – above all - among the various sources/reporters on which Nordregio based its examination. Among the indicators which, in accordance with EU demands, are to be given for the programme's effects, competence upgrading can be regarded as one effect which is pretty much borne out in reality. Secondly, the constructing of networks between firms is also documented and to a certain extent quantified. It is inherent in the nature of the question, of course, that it is impossible to give the

concept of network a single precise definition for all enterprises and project leaders. Finally, the indicator of new or saved jobs must be regarded as highly difficult to determine with any certainty – it is up to each firm and project leader to interpret what it has meant. Quite apart from that, we can question whether the number of new jobs is a sensible measurement of growth.

In fact, the programme co-incided time-wise with the favourable business development of the late 1990s for Swedish enterprises in most sectors. Since the conclusion of the programme, expansion has declined and economic growth stagnated. It is highly possible that the SME initiative contributed to making many of the 7500 participating small enterprises better equipped to meet the downturn precisely because they did *not* increase staff to the extent set as an objective for the SME programme! ■

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New Electronic Gateway to Russia, Poland and the Baltic Countries

by Jon P. Knudsen

THE DEMISE OF THE IRON curtain and the subsequent stabilisation of the former eastern European countries has created a new Nordic interest in the neighbouring east. One of the problems often met by administrators, academics, business persons and tourists alike, is however the lack of reliable information on the countries in question.

Nordregio therefore, in cooperation with the Aleksanteri Institute – the Finnish Centre for Russian and East European Studies at the University of Helsinki and the Centre for Markets in Transition at the Helsinki School of Economics and Business Administration, offers a website containing a

vast amount of information on Russia, Estonia, Latvia, Lithuania and Poland. The Finnish National Fund for Research and Development (Sitra) has financed the pilot phase of this database.

The database, which is available on a free access basis at www.balticdata.info, includes basic information on, and concise analyses of the respective countries' macro and micro economics, political and administrative systems as well as many other fields and issues. It inclu-

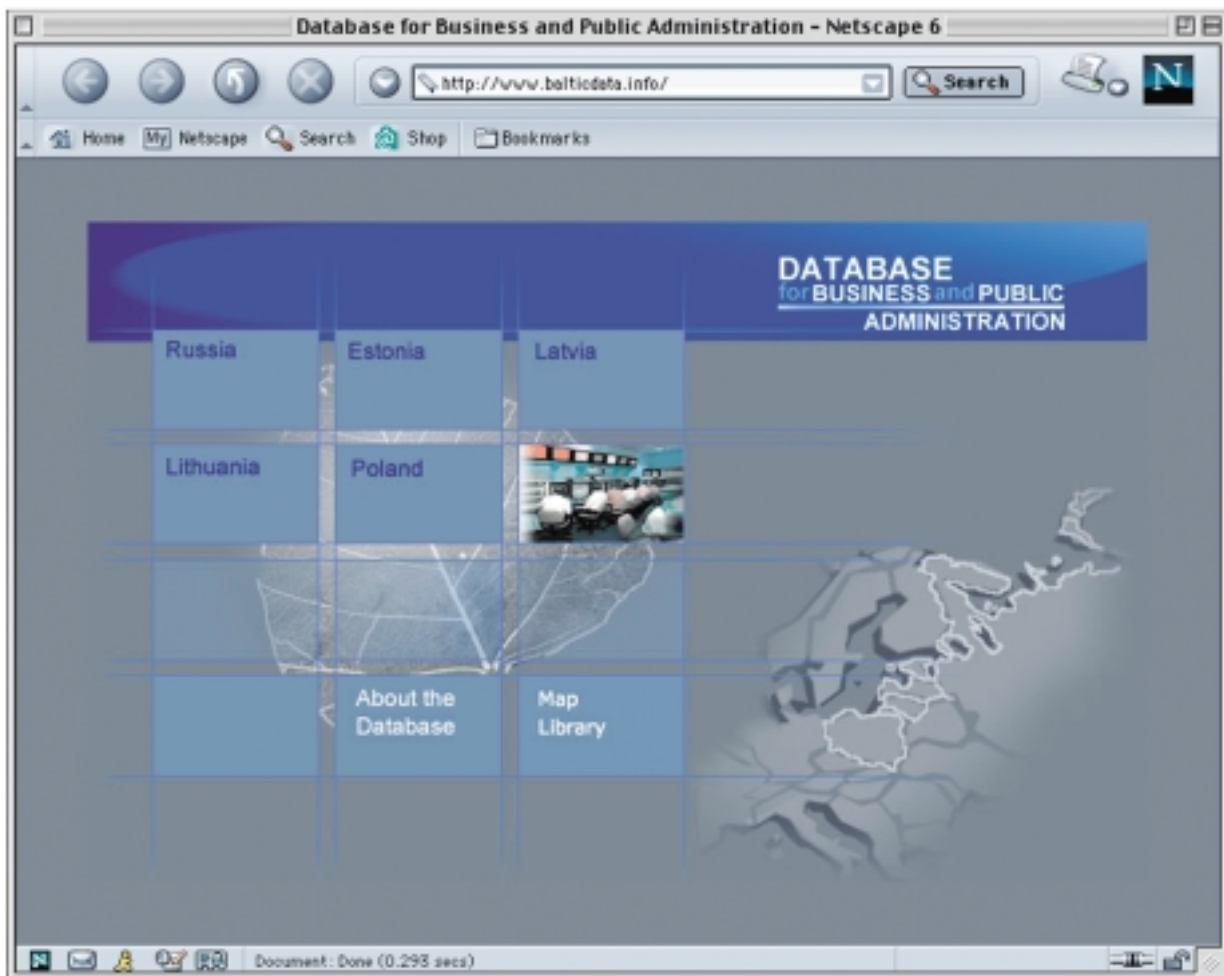


Christer Pursiainen

des comprehensive link lists of the respective countries' officials and agencies, social organisations, legislative data, research institutes etc. An important part of the database is an extensive Map Library, created by Nordregio together with its partners, which includes hundreds of thematic maps organised in several categories, as well as links to other map sources on the Internet.

The database is open for new partners, who would be willing to utilise it as a channel and infrastructure for their own publications and projects. The database is managed by Christer Pursiainen.

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In the 1990's we learned that economies have become globally interdependent and that new relationships between economy, state and society are emerging. We are now entering an era that Manuel Castells has labelled the "Network Society". Castells taught us also that Network Society is characterized by greater flexibility in management; decentralization and networking of firms both internally and in their relationships to other firms. As Castells has also stated, the new economy is primarily informational, because productivity and competitiveness now fundamentally depend on the capacity to



MARKKU SOTARAUTA

generate, process and apply knowledge-based information. It is global because the core activities of production, consumption and circulation are organized on a global scale, either directly or through a network of linkages between economic agents.

This kind of reasoning has also permeated into discussions on regional development as the focus of regional development in the last decade has perceptibly shifted from a concern with various interventions and subventions to something more akin to the improvement of competitiveness and the search for new modes for policy-making.

Traditionally policy-making in regional development (RD) is based on a fairly well established belief in the capabilities of policy-makers to find the correct strategies for the future through rational planning. I argue, based on our studies, that RD-policies are often programmed descriptions of the current and past state, through which it is not always possible to generate innovative enough means to develop and thus ensure the future competitiveness of

regions.

It also seems that RD-policies are often too administrative in nature with true leadership being lost in the jungle of old thinking, development plans, rules, etc.

In the era of building the welfare state, leadership in public organisation required good administrative skills, knowledge of various statutes, and the ability to follow instructions correctly and efficiently. As such, one could say that the system functioned in an essentially rigid top-down manner, with instructions flowing in a hierarchical fashion. Network society on the other hand is so clearly more complex, more blurred, more dynamic and more penetrating that we need to become more skilled in the stimulation of transition and interactive processes, not only in terms of administrating resources, but also in formulating development programmes. We need therefore to focus more on people.

In comparing leadership to games, we can state that today's leadership ought to place more emphasis not on forcing strategies but on seductive strategies. A forcing strategy is based on the fact that other players have to respond to the move made, and that there is only one possible response to that move. A seductive strategy on the other hand is based on the fact that other players are not compelled to respond to it, but rather that it elicits in them the desire to respond, because it takes into account other players' strategies and goals. While the forcing strategy attempts to make other players yield



In Search of Lost Qualities

– Some Reflections on Leadership and Influence in Regional Development

to what it wants, the seductive strategy attempts to induce other players into co-operation.

As seductive strategies gain more emphasis, influencing other actors' independent decisions, in other words, – understanding the nature of influence – will present a demanding challenge for leaders, as the traditional conception of power proves increasingly insufficient. In order to be able to influence events, leaders have to act in the riptide of different interests and aims, and find a totally new range of means that can be applied in different events. It should also be noted that leadership may be seen as the effect of actors upon one another and it may be that the promotion of regional development has several leaders all of whom have different leadership qualities.

In order to be a leader, an individual or organisation engaged in the promotion of regional development needs, in the simplest of terms ...

- to go before, or to show the way
- to influence, or to induce
- to go ahead of, or in advance of
- to have the advantage over
- to act as a/ leader
- to go through, or to pass
- to act as a guide

But what is it to lead in the complex, ambiguous and muddled process of regional development? How does one go before, induce, or act as guide if one does not have the formal power to do so? How does one go ahead of, if one has the formal position but not the respect to do so? It is not possible in the space available to give a full answer here, but the following abilities that enable leaders to gain influence can briefly be distinguished.

The ability to co-operate – one can gain influence by ...

- playing together with other actors without attempting to go “solo” too often,
- creating genuine functional networks based on the needs of the actors involved, not those of the administration,
- trusting other actors and building trust without seeking to be “in control” too much,
- creating teams without trusting to programmatic achievements too much, and by inspiring individuals to perform better at the same time,
- listening to what other actors have to say, and avoiding where possible, the self-promotion of one’s own ideas.

The ability to encourage other people – one can gain influence by ...

- inspiring, not administrating bureaucratically,
- understanding that change is usually generated through experimentation and risk-taking, and not through administrative processes,
- being respected due to one’s ideas and activities and not so much because of one’s position,
- looking for latent potential in development without concentrating too much on the existing resources and/or various limitations.

The ability to create an innovative environment – one can gain influence by ...

- creating the kind of local innovative environment in which actors can develop their own creativity, innovativeness, and competitiveness. A good player does not play for others.

The ability to create the future - one can gain influence by ...

- visioning and creating the future without believing in plans too much,
- shaping the big picture

from the viewpoint of the future and seizing onto creating the impossible without getting bogged down in details,

The ability to create new knowledge - one can gain influence by ...

- taking advantage of chaos and not immediately trying to re-impose order,
- looking for the new, and creating an enthusiastic atmosphere without getting too attached to old beliefs or old knowledge,
- knowing how to use narratives, metaphors, and images productively, rather than becoming swamped in facts – basically, the ability to distinguish the wood from the trees.

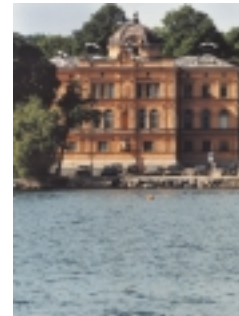
The newly emergent global environment has seen not only a change in the means of production, but also in the basic constructs, processes and rhythms of policy-making. This has had a hitherto perhaps under-appreciated impact on the administrative norms and inter-personal and bureaucratic relationships that have formed the basis of the administration of regional development policy throughout the Fordist period of welfare-state construction. While this may be confusing and threatening to some, to others it provides the opportunity to construct a system that is innovative and responsive rather than one that is stagnant and desiccated. Within this new approach, individuals and new, more adaptive institutions will play an ever-more prominent role. Thus, rather than being in a position where such individuals or institutions are at the behest of the system, the system itself will increasingly need to be constantly constructed and re-constructed through the daily practice of those who work in it. ■

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The Minister and His Critics

Taking onboard the mantle of the new leader of Danish regional policy, the conservative minister of economic and business affairs, Bendt Bendtsen, sets out to formulate a growth paradigm for regional policy development.

THIS ISSUE

Denmark

Bendt Bendtsen:

– *The Government's Ambition is to Conduct a Far More Coherent and Coordinated Policy*

– Regional cleavages or tensions, be they economic, social or political in nature, are generally considered to be less articulated in Denmark than in the other Nordic countries. Should we justly speak of Denmark as more idyllic in these terms, or are there tensions, and which ones will eventually become the most important?

by Jon P. Knudsen

– It is true that Denmark is characterised by being one of the most prosperous countries in Europe. Viewed from a European perspective, it is also a country without major regional differences. The circumstances, which highlight Danish uniqueness at the European level, relate predominantly to our rather high level of national equality. Over the past 30 years, economic development in Denmark has gradually narrowed regional income differences. Between 1979 and 1998, regional income differences were reduced by almost 50 per cent. However, since 1998 we have witnessed a reversal of this tendency, and have thus experienced minor increases in regional differences across Denmark. This is also the case when we analyse 1970–2000 figures concerning taxable income per capita proportional to the national average, distributed in terms of regional counties versus the Copenhagen metropolitan zone.

Denmark certainly has a need for strong potential growth centres such as Copenhagen and Århus. But it is also important, that such positive developments do not take place *at the expense* of Denmark's provincial areas. The government thus deems the maintenance and development of a balanced Denmark to be a crucial political objective.

In order to support such positive elements within regional development – measured by increases in economic wealth – and to ward off negative ele-

ments – measured by regional imbalances, environmental costs and social risks – the government will therefore closely monitor developments during the years ahead.

– *The new government advocates a balanced Denmark. Some guidelines are found in the initial governmental policy declaration, but how should this be understood in a more detailed fashion?*

– It is true that the initial government policy declaration stresses the need for securing for the Danish population equal living conditions, no matter which part of the country one lives. The government thus seeks to turn all parts of the country into areas that are attractive in terms of both development and housing. This will allow for a better geographical spread

of the population and for greater economic activity. Our objective is therefore to generate regional development, which on a long-term basis minimises the inequalities concerning



Bendt Bendtsen

services, employment and economic conditions among the regions.

One of the methods of achieving this objective is the appropriation of 20 million D.Kr., which – for each year during the period 2002–2005 –

will be available for regional development initiatives, which aim at minimising existing differences with regard to employment, economic conditions and services.

These resources will help to co-finance development projects, in which the regional authorities, institutions and enterprises jointly aim at strengthening the preconditions for economic growth across the regions. This would be achieved for example by financing new types of education or other initiatives, which strengthen technological development. The resources may also be spent on activities, which contribute to strengthening research activities across Denmark's regions. A further usage would be to finance the development of business environment conditions, tailored to fit specialised business areas, local technologies and the main sector competencies within each of the regions.

Finally, the resources may be spent on implementing the regional business strategies, which have been developed over the past years.

– *What are the main changes in this area with regard to the policy of the previous government?*

– Pointing out the differences between the new government and the ones led by Mr. Poul Nyrup Rasmussen is very much a question relating to the *means and instruments*, which have been and will be used in order to create a balanced regional development in Denmark.

The new government will focus on both regional business development which deals with the development of regional strength positions, *and* the improvement of the general conditions conducive to a healthy business environment. As such, this is a two-legged strategy with both legs being part of the *Competitiveness Package*, which was presented by the government in January 2002. With the package we seek to ease the economic burdens of business to the tune of almost half a billion D.kr. in 2002.

Firstly, resources have been appropriated for the period 2002–2005. Each year these will finance targeted regional political initiatives. Secondly, the State Budget for 2002 grants resources, which will improve general business-economic conditions for starting up new, and running existing, enterprises.

The package contains 32 concrete proposals, which e.g. will ease a range of business tax regulations, reduce administrative burdens relevant to businesses and enterprises, improve conditions for new business entrepreneurs and start-ups, reduce energy costs, increase levels of productivity and innovation, and create favourable economic conditions concerning succession within enterprises.

Changing the regulations on succession is but one example of how the strengthening of the general business environment conditions contributes the generation of new dynamics across a broad range of business branches throughout the country.

– *How will the policies of the various ministries be coordinated in order to achieve a common regional policy? I am of course thinking of the coordination between the ministries of economic and business affairs, interior affairs and environment, but also of the coordination of important sectors such as those dealing with communication, education and health. Which ministry will act as co-ordinator, and how strong does the government intend such coordination to be?*

– A feasible and sound economic policy uses several clubs from the golf-bag. The government's ambition is thus to conduct a far more coherent and co-ordinated policy than was previously the case. The comparable task is then to integrate the numerous policy areas, which affect the opportunities available to the various trades, industries and businesses' to generate economic growth and competitiveness.

A strengthened focus at the conditions affecting enterprises and businesses, has been established by merging a range of business related policy areas – i.e. economic policy, business environment policy, urban- and housing policy, energy policy and competition policy - under the auspices of the new Danish Ministry of Economic and Business Affairs.

During the spring of 2002, the government will present a *Growth Strategy* to Parliament, which will provide the necessary political weight to move such a strategy forward. The Growth Strategy will constitute of a general framework for a range of new initiatives and analyses within policy areas affecting general business con-

ditions. The on-going development of the strategy will ensure that each ministry follows the same course when it comes to formulating the government's policy towards Danish trade groups and businesses.

At regional level, it is necessary to focus on a wide range of political issues. It is therefore crucial that all members of the government take on a regional political responsibility. This also corresponds with emerging trends in other countries. As such, there is now a general tendency discernable that considers regional policy to be a coherent policy area, in which an increasing need for co-ordination among different sector policies exists.

– *Some parts of Denmark such as Bornholm, the county of Storstrøm and several of the minor islands lag behind in terms of business development and employment. Will there be new measures developed for these parts of the country?*

– Danish regional business policy has recently undergone a number of important developments. As such, the current aim of the policy is one of generating and promoting growth oriented initiatives. We deal with larger groups of policy participants, the use of resources has increased, and we apply a new and broader range of policy instruments. Policy experience has provided us with a differentiated knowledge regarding the instruments and their effects. The regional business development programmes and EU-programmes have created the basis for elaborating actual strategies concerning the development of regional business conditions. Thus, we have witnessed a move from a policy designed to offset imbalances towards one of supporting growth opportunities within individual regions.

Within the field of regional development, the Ministry of Economic and Business Affairs maintains a close dialogue with a number of vulnerable regions and local provinces. This applies to e.g. for Bornholm, Lolland, south Funen, Samsø and Frederikshavn. In each case, co-operation has been established on the initiative of local interests, which – due to the emergence of acute crisis situations - have been forced to seek external assistance.

Co-operation between the Ministry of Economic and Business Affairs and other ministries mirrors a wider pro-

cess that places the initiative and responsibility on the shoulders of the region in question. Simultaneously, the co-operation opens up greater possibilities for acquiring external competencies and inspiration.

The ministry also participates in a range of broader regional partnerships – *Jylland-Fyn* and *Vestsjælland-Storstrøm* – regarding the formulation of business strategies regarding the development of economic growth in both regions. The aim of both partnerships is to create as favourable business environment conditions as possible within the regions and their provinces. The method for meeting these objectives is subsumed in a process of on-going development and the launching of concrete projects, which support strategic target areas, pointed out by the regions.

– *EU funds contribute substantially to regional business development in Denmark as in Finland and Sweden. What is the government's position on the possible withdrawal of this source of funding following the post-2006 EU entry of the new applicant countries all of which will themselves demand large amounts of structural aid?*

– The Danish government supports the enlargement of the European Union. Before the end of 2006 it will be necessary to take a stand with regard to methods, through which we can ensure continued development within our provincial regions. However, preparations for the reform of the EU's structural funds have as yet not even begun. It would therefore be premature at present to take a position on what shape the contents of such a reform process should take.

One possible avenue of reform may be that the wealthy countries will have to abstain from receiving the same levels of support as they currently enjoy today. The adoption of such joint position may enable the financing of support programmes within the applicant countries. However, it is crucial that all regions in need of support are granted aid for transformation and development.

– *The transplantation of state institutions is cited by many as one means of decentralising and vitalising the regions beyond the capital region. What are the government's plans in this respect?*

– In May 2002, I will present a report to Parliament concerning the possibilities for the relocation of existing state institutions and jobs from the Copenhagen metropolitan zone to the regions. An inter-ministerial working group consisting of officials from the Ministry of Finance, the Ministry of the Environment and the Ministry of Economic and Business Affairs has the responsibility of bringing this to fruition.

The relocation of state institutions and jobs may contribute to the support of professionally skilled environments within the regions and thereby turn it into a lever for regional development.

– *Denmark has a reputation for being strong on physical and spatial planning. How does the government intend to follow up this tradition?*

– Within the field of spatial planning, it is an important task to contribute to establishing the preconditions for a balanced and simultaneous development of all parts of the country. The government has therefore decided to draw up a national report on spatial planning during 2002, which addresses the question of balanced development in Denmark.

National spatial planning has to be enabled through co-operation and dialogue. Already today, a close partnership exists between the Ministry of the Interior and Health, the Ministry of Economic and Business Affairs and the Ministry of the Environment. What needs to be done is to enhance the further development of partnership relations between the ministries and the authorities on the regional and local levels.

However, spatial planning cannot remain insulated. National spatial planning may contribute to the establishment of a general view of differentiated development across Denmark. This may in turn help to set targets for the government's national policy. Nevertheless, policy implementation must be based on regional and municipal plans.

Spatial planning plays an essential role when it comes to promoting the organisation of a sustainable society. As such, the placement of enterprises and businesses, infrastructure, housing etc. lays the basis for the sound

and reasonable use of our resources. Spatial planning thereby contributes to creating the preconditions for the development of competitive regions in Denmark. But this has to take place within the broader context of the connection between the development of competencies and regional strength positions.

– *What was the reason behind suggesting a new independent institute for environmental assessment, and how is this suggestion being carried out?*

– The primary task of the newly established Institute for Environmental Assessment is to conduct comparative economic assessments with regard to cost efficiency in politico- environmental decisions. Thus, it is not the task for the institute to assess environmental consequences in terms of the effect on environmental quality of different societal initiatives.

The government stresses the need for the Institute for Environmental Assessment to remain independent, and for it not to be mired in the instructional competencies of either the Minister of the Environment, nor the rest of the government. As such, the institute will segregate itself from the sector scientific institutions of the ministry. Environmental assessments are important when initiatives have to be prepared and put in order of priority. However, environmental activities must also be exposed to permanent critical socio-economic analysis. It is therefore a major challenge for such scientific institutions to participate in the preparation of such environmental initiatives and then subsequently to criticise them.

The tasks of the institute are described in the document, which constitutes the formal foundation of the institute: *"based on scientific high-level international research, the Institute for Environmental Assessment will contribute to the attainment of defined environmental objectives in the economically most efficient way. The tasks of the institute will be to establish a general view of the current and long-term environmental situation in Denmark and the rest of the world. Further tasks will be to assess the efficiency of environmental initiatives and to promote this knowledge to the public and political decision-makers".*

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– Regional Policy in Denmark is Primarily Concerned with Undertaking Cross-Party Initiatives

If there is one person who is really synonymous with regional questions in Danish politics, it is Ole M. Nielsen. The deputy chairman of the tiny Christian Democrat Party has made regional policy one of his specialities. Elected from Northern Jutland, he is however eager to point out that he represents all of Denmark, and in particular, all of the periphery.

by Jon P. Knudsen

– I am the person who is really addressing regional policy in Denmark. Coming from a small party, I happen to have been elected with the votes of many Danes residing beyond my own constituency. I would therefore like to emphasise that West Jutland, Storstrøms Amt, Bornholm, and the minor islands as well as the western part of Sjælland – in sum all of the geographical periphery, is of my concern, Nielsen proclaims.

– *Why do you have this insistence on pursuing regional policy?*

– Because I love small communities. They are the cornerstones of families, enterprises, social fabrics and the cultural life in our country. I feel that the advent of such big projects as the bridges over Storebælt and Øresund has sparked a process of centralisation of unprecedented force, a process that serves some regions well while sucking the energy out of others.

– *Do you have any examples?*

– It is easy to argue that the northern parts of Jutland have become better connected recently through massive investment in the motorway system. But so far, the effects are such that it has only been made easier for people in, say, Frederikshavn to commute to Ålborg. The smaller society at the end of a new nexus is paradoxically losing out through what is otherwise considered a breakthrough. Though infrastructure is increasingly being put in place to connect the periphery to the centre, paradoxically it becomes even more important to be centrally located.

– *Pursuing this line of thought, do you actually fear becoming too well connected to Germany, first in Jutland and later with a new bridge to Fehmarn, the result being that most of Denmark will itself become a periphery?*

– No, I do not. The divides in language and culture are too important for that to happen.

– *How then should this new pattern of centralisation be changed?*

– I believe in further investments in regional institutions, notably in the fields of education and culture to meet the demands of new generations. I think the University of Ålborg offers an example of how this should be done. I was involved in public life when it was founded, and I supported it with enthusiasm, though there were many that were sceptical of the scope of the project. We thought Ålborg would prove too small and provincial. But look what happened, Ålborg has turned out to be a superb university, attracting some of the finest scholars in Europe, and thus the region thrives and prospers. Let me also point at the possibility of relocating public services and civil servants from Copenhagen to other parts of the country. Firstly, the nature of the regional variations of housing prices produces the best argument for such a move, and secondly, it adds to centralization to congest most of the country's academic work force in the capital.

– *But hasn't there been a decentralization of institutions in Denmark over the years, the university sector in itself providing an example?*

– Certainly, but at the same time we witness a movement where basic services such as the courts, the police, the national food administration etc. are pulling away from a decentralised

pattern of presence. This is important because it saps the fundament for viable regions.

– *Is there room and budgets available for more regionally placed universities and cultural institutions in present day Denmark?*

– I think so, but I am of course aware of the fact that the current government does not follow this line of thought. And I would like to add that perhaps not all regions need full universities, but could do well with sections of universities. Areas like Storstrøms Amt and Slesvig seem to be in need of this kind of impetus to get moving. It may be costly to invest in new areas, but it is even more costly to have a country whose resources are not used to their fullest extent.

– *Nevertheless, there remains a significant amount of money in the system for regional development for those who want to undertake regional development projects, particularly where they are tied to various European arrangements?*

– Yes, but most of it seems to end up in the pockets of consultants with few lasting imprints to be detected in the regions affected. I miss the old Regional Development Authority in Silkeborg. It was highly skilled and worked well in assisting projects throughout the country. Today I am sorry to see that we have lost the national grip on these affairs as they have become involved with the wider EU ambitions as regards regional development.

– *Your national involvement with regional policy, how did it all start?*

– I felt a lack of attention was being given to regional policy in our country, and that something should be done to bring the issue back into focus. This was something that seemed to attract widespread sympathy across the various parties, I asked the prime minister to present a regional report to Parliament. In this way



Ole M. Nielsen

we got our first report, presented by the minister for interior affairs by the way, that was two years ago; it was meagre in content, but nevertheless it served to recognize the field of policy.

– *With the new liberal-conservative government in office, has the content of Danish regional policy changed?*

– Not really, Indeed one feels that it is still too early to say, though I do feel that whoever is in power, the Social-democrats or the conservatives and liberals, does not really make that big a difference. Regional policy in Denmark is, as such, primarily concerned with creating and maintaining cross-party initiatives for winning a coalition majority in parliament.

– *Speaking of the administrative system, the Danish three-level model of administration is often depicted as being “in harmony”. Do you subscribe to such an analysis?*

– We may see changes in this respect, especially pertaining to the county municipalities. Their future is being closely scrutinised at present. One idea is to turn the hospitals as well as other institutions into self-governing entities competing with each other in a market were the municipalities act as the buyers of services. This could work out well, I believe. On the other hand we have also seen a proposal for the strengthening of the legislative power of the municipalities to the detriment of the county level with regard to local land

use. I am however not in favour of this approach as it erodes the possibility of a consistent and foreseeable policy line to be followed in the various municipalities.

– *What about the number and size of municipalities?*

– On the whole I think the structure is sound, though there may be need for mergers in some corners of the country. We should not forget that a lot of so-called poor municipalities do well because they have learned good habits such as cautious spending. In several instances however I believe inter-municipal cooperation to be a better solution than that of merger. ■

Knud Andersen:

– The Prospect of a Return to Nationalism is More Worrying than that Posed by an Increase in Regionalism

He is the county mayor of Bornholm, the most remote island in the Danish archipelago, and he has, among other things, been Danish representative in the EU committee of the regions. Though a senior member of the leading party, Venstre, in the government coalition, Knud Andersen often holds his own views on regional policy.

by Jon P. Knudsen

– *Denmark is often portrayed as a very stable country both regarding its regional parameters and its regional administrative framework. Is this also the prognosis of those in the country at large?*

– For the time being stability reigns, but such tranquillity is likely to be undermined in the near future by the dissolution of both local and regional administrative structures. I foresee that a free choice on hospital services will bring about the successive reorganisation of other services, a process that will in the end lead to municipal and county borders becoming obsolete, and thus of little interest. The programme of the current government will contribute to the speedy enhancement of such developments.

– *What then will be the decisive parameters in the establishment of this new “regional order” in this new service provision driven landscape?*

– Competence and economic carrying capacity. People will of course consider these aspects. But to take one example, i.e. that of hospitals, it strikes me that proximity is most important as long as you are healthy; the moment you become ill, the medical competence of the hospital comes to the forefront. When we move into the future of these institutions becoming self-governing entities, some kind of structure will emerge where these aspects of service provision are met.

– *Should these principles apply in Bornholm and Copenhagen alike?*

– The size and the economic carrying capacity will of course differ in various parts of the country, but the principle remains the same.

– *What political instruments can be used in moulding regional strongholds, establishing and developing universities or cultural institutions for instance?*

– Yes, these are examples of instruments, and it is very important that the state is aware of their potential in this respect. Regional policy does not, alas, hold the same status in Denmark as it does in Norway and Sweden. That is why we have to come to terms with the fact that regional development has to be centred on the needs of people in their own localities. To be quite blunt, we do not expect any official institutions of the kind mentioned to be erected in Bornholm.



Knud Andersen

– Is this where the European Union becomes a factor ?

– In many ways it is more important to be alert to the situation in Brussels than in Copenhagen. Over the years, a sum of DKK 100 – 150 stemming from European budgets has been spent in various projects in Bornholm, often with good results, I would say. The lesson to be learned here then is to concentrate spending on a few viable projects.

– What will happen to Bornholm after 2006 if many of these budgets and fund sources are re-directed towards the needs of restructuring in the new or candidate members from Eastern Europe?

– I do not believe this to be a plausible scenario. There will continue to be structural funding available for the western EU members because there are tasks to be dealt with in these countries as well. In Denmark there will still be islands and peripheral

regions in need of support.

– The whole of this process of regionalisation, as you describe it, will surely change Danish society. Do you not fear that people will turn “inwards” when confronted by such a prospect ?

– To me the prospect of a return to nationalism is more worrying than that posed by an increase in regionalism. We have to consider that Denmark is going to be conceived of as two regional realms, namely, Jutland and the islands. To the south, there will be Hamburg. Most functions now residing at the county level will have to be directed either towards these sub-national levels or towards a more robust and rearranged municipal level.

– Considering the municipalities for a moment, do you endorse your government’s intention to move the question of decisions over rural land

use to the competence of the municipal sector?

– No, it is not wise to place authority in these matters too close to the actors themselves and to those who themselves are intimately concerned with the outcomes. This is one of the policy fields in which we have to be more careful in the approach we adopt.

– When you speak of “rearranged and stronger municipalities”, are you thinking in terms of the variations of service provision stemming from socio-economic and demographic diversity?

– Yes, if we build stronger and more region-like municipalities, many of these variations will be levelled out, but then, in addition, we also need to create a system of local power over taxation in combination with a transfer system that manages to smooth out the remaining wider discrepancies. ■

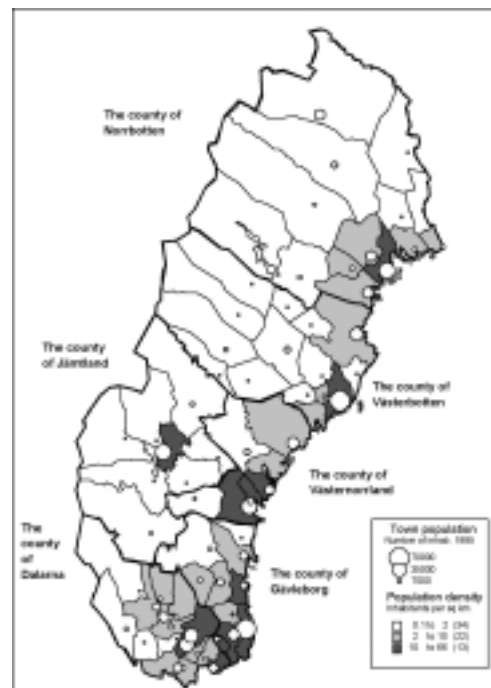
Ulf Wiberg

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Urban Design in Sparse Regions

Population figures for recent years indicate a growing division between regional winners and losers across Sweden. Moreover, depopulation tendencies are so strong, particularly in the sparsely populated regions, that the ability to maintain a stable welfare standard in terms of infrastructure and services is now threatened. New economic “rules of the game” and the increased freedom to choose location among both firms and households are not only causing depopulation but are also negatively impacting on demographic, social and economic structures. From a sustainability point of view therefore policies and plans, individual actor preferences and the financial resources encompassed in the term “risk-capital” have to be better co-ordinated in certain sparse and fragile spatial contexts. This suggests that a proactive effort is needed to redefine the spatial arena and to create a pattern of consensus oriented strategic behaviour among politicians and administrators across municipal and other administrative borders. New trans-sectoral, trans-regional and trans-national perspectives may thus be important as tools for renewal, more efficient solutions, and ultimately, greater economic strength.

Map 1 illustrates the administrative division of northern Sweden, the average population density in the municipalities and the locations and sizes of the key nodes of the urban regions. The general feature is that of a territory dominated by mono-centric municipalities. Focusing on commuting, local labour markets across municipal borders are primarily to be found in the coastal zone. Polycentric local labour market structures appear in only a few cases – Boden–Luleå–Piteå in Norrbotten, Lundsvall–Timrå–Härnösand in Västerorrland, Falun–Borlänge in Dalarna, and Gävle–Sandviken in Gävleborg. In addition the trans-national local labour market currently being constructed in the Haparanda–Tornio area as part of a wider Interreg effort to integrate the coastal urban regions between Swedish Piteå and Finnish Oulu (the Bothnian Arc) should also be mentioned in this regard.



Map 1: Population density, administrative divisions and municipal centres in northern Sweden.

Map 2 illustrates how the issue of depopulation has become a serious problem in these northern communities in recent decades. This has hap-

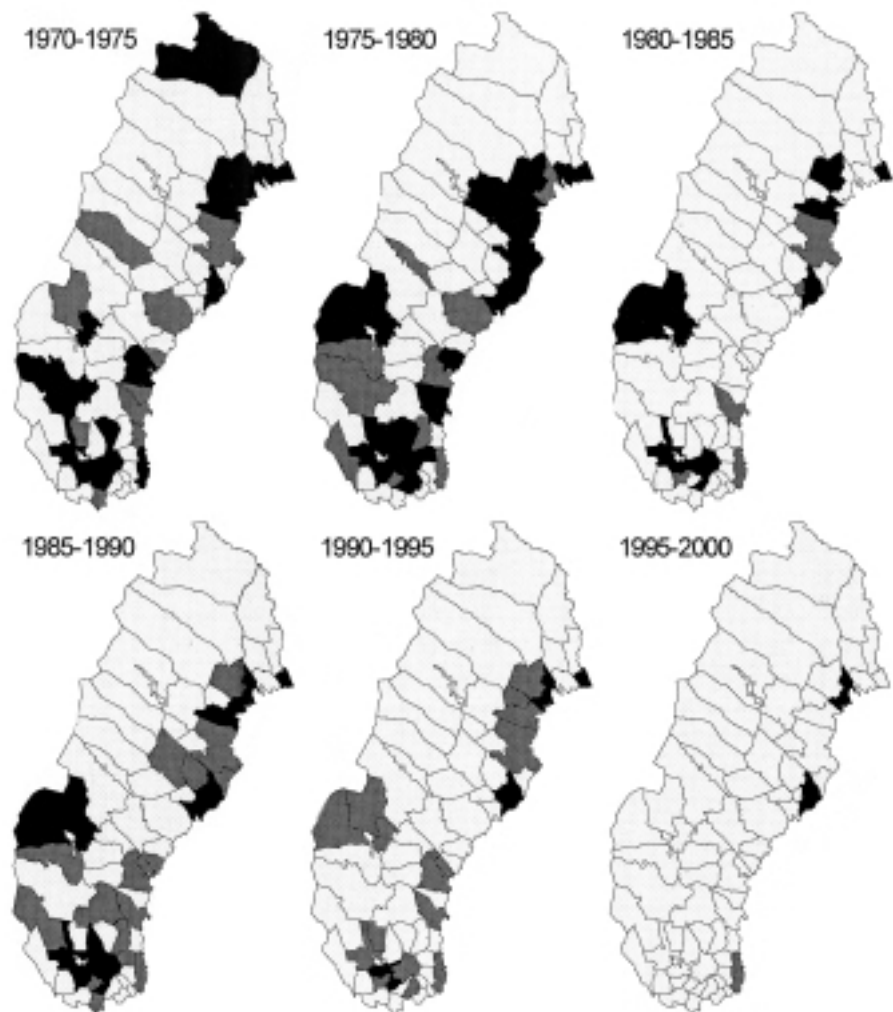
pened in spite of substantial investment in a great variety of sectoral and regional policy measures.

A general perspective

From this empirical example of an unsustainable demographic development we will turn to a general discussion on ways of dealing with spatial development issues under heavy pressures for change.

Map 2: Population change in municipalities in northern Sweden 1970-2000.

Growth above the national average is shown in black, growth below the national average in grey, with decreases in white.



When discussing the spatial dimensions of attraction the “magnet metaphor” may be used as a tool to illustrate that it is a matter of process characterised by a continuous rivalry over potential migrants, new investments and projects, and the relocation of industrial plants between places. The types of geographical settings discussed here are primarily small and medium-sized towns and cities. These have, by tradition, a key role as nodes in regional or local administrative contexts in combination with roles as the main centres for services and other business activities. Moreover, over the last thirty years, Sweden has seen significant increases in the size of the public sector, both in terms of employment opportunities and in the establishment of new institutions. This has been accompanied by administrative adjustments of the number of municipalities, based on the principles of central place theory. The municipal reforms in the latter part of the 20th century may be regarded as significant steps towards a stronger local level in terms of creating the capacity to deal with planning issues and to find strategies for maintaining or cre-

ating attractiveness and competitiveness. However, ever greater spatial planning efforts will be needed to meet increasing levels of competition among European regions. Population development in recent years reflects strong preferences among key actors for big, polycentric and diversified urban regions.

Urban design is a matter of quality, beauty and functionality with reference to peoples needs, values and preferences. Embedded in the concept of urban design is also an emphasis on the role of strategies and planning in relation to investment in the built environment. A key question is how to form the “ideal” urban region. However, the ideal structure is not a static phenomenon. We are dealing with an organic system, which means that the capacity to adapt to new conditions becomes a critical aspect. Thus, the answer to this question must be seen to be changing over time and it is often reflected in distinct generations of

planning concepts and investment patterns. In older urban regions we find several layers of contributions each aiming at a reinforced quantitative and qualitative structure, or at least reactive investment to meet changed economic conditions, needs and challenges. Such footprints may indeed represent different mixes of public, private and public-private partnerships. A further, often important aspect, is that the internal life of buildings may change dramatically over time, reflecting changes in consumer structure and demand.

In this article the concept “urban design” includes the following aspects:

- variety and heterogeneity of land use in the functional urban region,
- nodal structure and internal distance relations in the urban region,
- settlement structure and variety in density of population,
- physical character of areas for housing, services, industries and leisure activities,

- locational pattern of various types of services,
- quality of transport infrastructure and capacity of public transports.

Besides the character of these structural conditions the dynamics in the urban region is a critical dimension. The main driving forces are preferences among households, entrepreneurs and businessmen. A common feature is that we are increasingly dealing with footloose key persons, firms and plants. Migration patterns among people, investment and other business activities indicate the economic vitality of the urban region. Daily flows of goods and commuting people illustrate functional connections and dependencies both between sub areas of the urban region and its integration in wider networks nationally and internationally.

In most planning activities just a minor part of these patterns of investment, activities and flows are susceptible to change. However over time, planning activities in different sectors may lead to cumulative results ranging from a stagnated profile to a dynamically changing and strengthened profile.

The concept of urban design includes both macro and micro dimensions. At the macro level the functional role in a regional, national and international context is stressed. At the micro level, it is mainly a matter of how physical planning and architecture meet needs and preferences.

The landscape setting of the built environment seems to have an impact on gradations of attractiveness at the micro level. "Hot spots" are often found close to water surfaces, though they are also to be found in specially designed housing areas and in places with a cultural heritage. Under the umbrella concept "social capital" is recognised the context of both entrepreneurship traditions and entrepreneurial persons as a fundamental precondition for economic development and for the development of social and cultural activities, which are seen as important prerequisites for the maintenance of a high quality of life.

As mentioned above, the concept of "urban design" refers to how people appreciate and react to the physical features, the functional qualities and the cultural identity of the built environment in a certain spatial con-

text. To understand this more fully one needs to analyse the variety of attitudes and preferences among people. A basic division thus emerges between "insiders", that is to say people who live there at present, and "outsiders", or people who may be regarded as potential immigrants and new investors. The "insiders" have personal experiences to rely on while "outsiders" form their views on more diffuse, and indirect, types of information.

The concept of urban design is not automatically related to any specific density and size of built environment. However, it is related to a certain delimited territory. This arena may differ in scale and spatial structure from a single small town to a polycentric urban region or a metropolitan area and may include ex-urban areas with high frequencies of commuting streams.

Urban design concerns at its core "place"-building. It deals with geographical places as social constructions. Thus place-building is a cumulative process characterised by a permanent interplay between social and economic activities, patterns of attitudes and preferences, investment in the built environment and institutional policies and rules. This means that a frequently changing mix of actors in terms of individuals, households, firms and public sector institutions are involved in designing and re-designing the urban landscape.

As indicated above, several distinct driving forces can be seen to play a visible role in this process. Thus both demographic structure and migration flows have a basic role in terms of volumes. These driving forces are further adjusted due to a number of factors. The principal dimensions are social structure and life styles, the structure of the local economy and the labour market, ideological and political viewpoints and actions, cultural heritage, and the diffusion of technological advances and options for mobility and communication. The consequences of this become manifest in terms of movements, locational de-gradations and up-gradations and changes in mental maps.

A complementary dimension may be labelled "place"-making. Behind this can be found a stress on certain cultural aspects and on the importance of the elaboration of identity as an influential factor on preferences

among households and entrepreneurs. This identity may rely on historical tradition and on impressions in terms of buildings, locational patterns and ideas about land use character.

Moreover, to be recognised as attractive is a matter of "place"-marketing. In a world of increasing freedom of opportunity to migrate and to change the location of economic activity, both the visibility and the positive mental image of specific places need to be promoted in order to increase their perceived attractiveness.

A vision for the north

Due to the sparse nature of conditions – both physical and "political" – prevalent across northern Sweden, regional success is highly dependent on what each sub-region is capable of accomplishing in the form of strategic internal and external alliances across traditional borders and other barriers. Significant barriers to growth as such can be seen in the comparatively long distances to international markets, insufficiently developed transport and communications options, in the lack of "risk" capital, and in problems associated with the difficulty of recruiting key persons to fill important posts. The "rules of the game" alluded to above indicate that the coastal zone of northern Sweden in general is much more viable in development terms compared to the interior areas. However, at a more detailed scale some local labour markets along the coast will also face severe problems in attuning themselves to current structural socio-economic conditions. In fact, the largest urban cores with universities themselves accommodate most of the potential for economic growth. This may include "positive overspill" to locales in the countryside nearby and in the small towns surrounding such centres depending on residential preferences. Ongoing efforts to further construct more distinct functional poly-centric structures or development axes may result in more arenas in the north with increased functionality and visibility, which may in turn lead to higher levels of attractiveness. In this process however it should be noted that the upgrading of the transport infrastructure is a necessary, though far from a sufficient "key" factor. ■

Hans Nyström *Nordic Concil of Ministers*

Is an Equalisation Scheme Needed for the Øresund Municipalities?

The report by the Danish and Swedish governments, *Øresund - Birth of a Region*, points out that there is reason to investigate whether there is a need for an equalisation system among the municipalities of the Øresund region. A number of municipal politicians in the Skåne region have, in various contexts, expressed their displeasure at lost taxation revenues when residents work in Denmark and thus pay [income] taxes there, while at the same time taking advantage of municipal services in their own municipality.

The background to this discussion is the taxation agreement between Sweden and Denmark which went into effect in 1997 and provides for persons who commute to work since that time to be taxed in their country of work. Under the earlier agreement commuters paid taxes where they were domiciled, which continues to apply to persons who began commuting prior to 1997, so long as they have not changed employers. This analysis intends to attempt to answer the question as to whether an equalisation system is needed among the municipalities of the Øresund region, by looking at what happens in individual municipalities under the system if a resident, for example, works on the other side of the Sound, or if someone who already has a job in Denmark moves to Sweden and then commutes to Denmark to work.

Since the net flow of commuters is from Sweden to Denmark, it will be interesting to see how much a municipality in Skåne, we have selected Malmö, loses in revenues when a resident begins to work in Denmark, and accordingly pays taxes there, and when a Dane moves to Sweden while concurrently commuting to and paying taxes in Denmark. These two examples are also compared to the situation where a Swede from another Swedish municipality moves to Malmö and gets a job there. Table 10.1 shows the effect on Malmö's finances. In the three examples, calculations are based on an annual income of SEK 250,000.

The marginal effects in our three examples are very small, which is the result of adjustments in the income and expense equalisation system between municipalities which cushions the effects.

In the first example, where an employed Malmö resident finds a job in Denmark while continuing to reside at the same location, the municipality of Malmö loses only SEK 4000. This is primarily due to the extensive equalisation which occurs in the revenue equalisation, where the degree of compensation is 95%. The change in taxation revenue, a decrease of SEK 52,000, is thus compensated for by increased contributions in reve-

nue equalisation amounting to about SEK 48,000. In 1998 some 900 persons in Malmö commuted across the Sound. Of these, an unknown number were earlier border crossers who paid taxes in Sweden. If we make a rough calculation, assuming that over half of them, about 500, paid tax in Denmark, and increase the number of new commuters by an additional thousand, giving a total of 1500 commuters (lacking the actual figures), then the loss in income for Malmö would be approximately SEK 6 million, which can be compared to the total tax income in the Malmö municipal budget for 2000 of just under SEK 6000 million.

In the instance where a Dane moves to Malmö while keeping his or her job in Denmark the net effect will be positive, since then the municipality's revenues will increase by SEK 9000. Where the migrating Dane continues to pay tax in Denmark, once again revenue equalisation between the municipalities results in an increased income for Malmö municipality of about SEK 25 000. When the able-bodied Dane moves in, the compensation in cost equalisation is reduced, as a result of the proportion of people of non-working age in the municipality is reduced. The municipality also receives a general contribution from the national government, which in

Table 10.1 Marginal effects for the finances of Malmö municipality – three example, SEK annually

	<i>A Malmö resident working in Malmö finds a new job in Denmark</i>	<i>A Danish moves to Malmö but continues to work in Denmark</i>	<i>A resident of another Swedish municipality moves to Malmö and finds a job there</i>
<i>Change in taxation base</i>	-250.000	0	250.000
<i>Change in taxatin income</i>	-52.000	0	52.000
<i>Change in income equalisation</i>	48.000	25.000	-24.000
<i>Change in general contribution</i>	0	6.000	6.000
<i>Change in cost equalisation</i>	0	-22.000	-22.000
<i>Total income change</i>	-4.000	9000	12.000

combination brings the total positive change in revenue to SEK 9000 for each new Dane. If, however, the Dane has a family, this of course means increased costs, for example, for day care and schooling. This is true enough, but we must remember that this applies equally if a family moves to Malmö from another Swedish municipality, which brings us to our third example. Here we have a resident who works and resides in another Swedish commune, who moves to Malmö and gets a job there.

In such a case, Malmö's incremental income would be a total of SEK 12 000. The difference when compared to the Dane who moves to Malmö but pays taxes in Denmark is only SEK 3000.

In other words, the difference for Malmö commune whether a Danish family, paying taxes in Denmark, moves in or a family from another Swedish municipality will be merely SEK 3000, assuming that they have the same family composition.

What will then happen to Malmö municipality if a large number of able-bodied Danes and their families decide to move to Malmö? The actual figures show that the net migration to Malmö from the Danish side of the Sound has increased substantially, but from a very low level. In the year 2000 it was about 230, as compared to almost 0 in previous years.

To make a rough calculation, we have assumed that net migration will be as many as 2000 Danes, 1000 of whom are of working age and continue to work in Denmark. We can compare this to a situation where these 2000 instead came from other Swedish municipalities and 1000 of them find jobs in Malmö. The difference between these examples is then $3000 \times 1000 = 3,000,000$ SEK, which is still a very small amount in the total budget for Malmö municipality.

The overall analysis shows that there is no need for an equalisation system between Øresund municipalities. Since the flow of commuters goes from Sweden to Denmark, and in Sweden there is such an extensive equalisation of the municipalities' taxation base, the loss in income for the individual commune is practically negligible. A similar situation applies to the counties, and thus there is no need here either for an equalisation system among counties on both sides of the Sound.

Instead it is all the Swedish municipalities and counties who jointly bear the greatest loss in the case where a Dane moves to a municipality in Skåne but continues to work in Denmark. A rough estimate indicates that the municipalities and counties as a whole lose approx. SEK 73,000 on each Dane of working age. In these calculations we have assumed a municipal tax of 30%, basic deductions as well as travel deduction, which means a tax loss for the municipalities and counties of approximately SEK 65,000 as compared to the Dane paying tax in Sweden. In this we have also assumed that the general contribution of approx. SEK 8000 per person will be borne by the municipalities (SEK 6000 per person) and counties (SEK 2000 per person). This contribution should not necessarily be calculated as a loss, since everyone migrating to a Swedish municipality generates a general contribution to his or her municipality and county.

If 2000 Danes move to Skåne, of whom 1000 are of working age and continue to work in Denmark, this involves lost tax revenues and costs for increased general contribution for the collective municipal tax coffers of:

$$1000 * \text{SEK } 65,000 \text{ (collective municipal tax coffers)} + 1000 + \text{SEK } 8000 \text{ (cost for general contribution)} = \text{SEK } 73,000,000.$$

In other words, the total loss of income for Swedish municipalities and counties will amount to SEK 73 million for every 1000 commuting Danes, as compared to a situation where they paid taxes in their municipality of residence in Sweden.

Today there is uncertainty as to how many people are commuting to work over Øresund and paying tax in their country of work. According to 1998 figures, approximately 2400 persons commuted from Sweden to Denmark, while the corresponding number from Denmark to Sweden was scarcely 300. This would mean a net commuting of 2100 in the direction of Denmark. These figures do not indicate, however, how many paid taxes in their country of residence, in accordance with the former border agreement, but it is likely that a relatively large number of the commuters were former border crossers. These commuters also included a sizeable number of commuters who built the Øresund bridge.

To complicate things still further, there are a good number of crew members (for instance, airline cabin crews) who work in Denmark and live in Sweden and are taxed there like the older border crossers. According to a rough estimate, there could presently be up to 2000 commuters working in Denmark who live and continue to pay taxes in Sweden.

If we attempt, based on the previous commuter figures and the new, uncertain information, to make a very rough estimate of net commuting in the Danish direction today, this would lie somewhere between 0 and 2000 commuters, after we have tried to eliminate or cancel out those who continue to pay tax in their country of residence. In such a case, this would mean that the total loss of income for the collective Swedish municipal tax coffers would amount to something between SEK 0 and 146 million. ■

“Theories of Endogenous Regional Growth”

Börje Johansson, Charlie Karlsson and Roger R. Stough (Eds.).

Reviewed by **Johan Lundberg,**
CERUM

THE ATTEMPT TO UNCOVER the most important determinants of regional economic growth is a subject that has gained much attention over the last twenty years or so. Much of the empirical literature on regional growth has focused on the so-called convergence hypothesis, as predicted by neoclassical growth theory. As such, it suggests that poorer regions tend to grow faster than richer ones. This issue is important from many perspectives. One such perspective of particular interest relates to the distribution of incomes across regions. If poorer regions tend to grow faster than richer ones, this suggests that incomes will equalize across regions over time. This will also affect the distribution of local tax bases across regions and hence the regional and local authorities abilities to fulfil duties imposed on them by the national government.

The convergence prediction in the neoclassical model is derived from the assumption of diminishing return to capital, both human and physical. However, the convergence hypothesis has been rejected in many empirical studies, many of which have favoured theories of so-called endogenous growth. In short, in exogenous growth models, long-run growth is mainly due to exogenously given technological progress, while in endogenous growth models growth is generated by endogenous factors. There are then a large number of empirical studies that have sought to focus attention on a broad set of possible determinants for regional growth, such as the provision of local public services, intergovernmental grants, other local and national public policy decisions, local income tax rates, demographic factors, infrastructure investments etc.

The book ‘Theories of Endogenous Regional Growth’ edited by Börje Johansson, Charlie Karlsson and Roger R. Stough is a contribution to this particular field of the regional development literature. This book consists of 20 chapters sub-divided into five parts. The main questions addressed by the book are, what factors are important for regional development and growth, and whether we can affect regional development and growth patterns through public policy. Some of the contributions are of a descriptive and discursive nature, while others are more formal in the sense that different hypotheses are derived and tested. Many interesting issues are highlighted and discussed, and as such the book is thus recommended reading not only for professional economists and regional scientists, but also for policy makers. However, it should be emphasized that the conclusions outlined in some of the papers are presented with a little more confidence than the nature of the analysis undertaken actually warrants. In what follows I will comment briefly on what may be considered a highly subjective selection of papers from the book.

In Part II of this book, Roger R. Stough focus attention on the effects of leadership on

regional development. Leadership is undoubtedly a highly important factor in explaining regional development. It is, however, often neglected in empirical analyses of regional development and growth. One reason for this being, of course, the great difficulties to be surmounted in quantifying and obtaining an accurate measure of leadership, or to put it more scientifically, in operationalizing the notion of leadership. Stough assumes that leadership is manifested in different outcomes, which makes it possible to use different proxy variables for leadership. He elaborate with four different measures, i) voluntary community effort, ii) number of voluntary community organizations, iii) expenditures of voluntary community organizations and iv) economic development effort. Using multi sector analysis (MSA) and a data set on U.S. metropolitan areas, Stough shows that leadership is an important component in the process of regional development.

Also in Part II of this book, Gunther Maier gives a nice review of traditional neoclassical growth theory. The traditional model is then modified by the introduction of agglomeration effects, that is, by economies of scale and externalities. The model starts out with two identical regions, i.e. two regions with the same production functions, amount of capital and labour, and initially the same probability of getting a new company (or an innovation) assigned to the region. Capital is assumed to be mobile while labour is immobile. Moreover, when a company has assigned to one region, it stays there. Each time period a new company is added to the system. In line with traditional neoclassical growth theories, new companies are randomly assigned to one of the regions. However, if the new companies’ location decision depends on the relative share of economic activity within the regions, which is likely in reality, Maier shows that the economic activity will concentrate on one of the two regions. Thus in terms of economic activity, rather than converging, the two regions tend rather to diverge, in direct contradiction of neo-classical theory.

In Part III, Börje Johansson and Charlie Karlsson introduce a theoretical framework to discuss the potential for small, medium and large regions to host the production of different types of goods. The focus here is on two factors, the market potential within the region (internal market) and the accessibility to and potential of the markets within neighbouring regions (external markets). Of little surprise perhaps, the authors find that regions with large internal market potentials have an absolute advantage in finding a diversified specialisation. Moreover, the advantage increases to an even greater degree where the region displays an external market potential. However, the primary focus is not on regions with large internal markets but rather on small and medium-sized regions. Where do these results leave these regions? The authors suggest that the small and medium-sized regions are possible locations for the production of goods associated with high transportation costs or ones that are in other ways sensitive to the long distances between producer and buyer. These regions

are also expected to host groups of sectors that can form an independent cluster. This is primarily a theoretical paper, which concludes with an appeal by the authors encouraging others to undertake some more detailed empirical work based on their model.

In Part V, Attila Varga analyses how the number of innovations within a region is affected by private research efforts in high technology and local university research. A production function approach is applied where the number of innovations within a region is explained by the private research efforts (the number of professionals in the private R&D sector) and research expenditures at the local university. Varga also tries to capture potential agglomeration effects by introducing measures of the concentration of high technology production, business services and the relative percentage of large firms. Each of the four sectors, namely, chemicals, industrial machinery, electronics and instruments are then analysed separately. The main finding of this work is that local university research spills over into innovations within the electronics and instruments industry while the number of innovations within the chemicals and industrial machinery sectors relies on internal knowledge resources.

The last paper to be commented on here is the one by Hans Westlund. In this paper, we learn about the history of regional policy in Sweden since the 1960s. As such, one of the main objectives with regard to regional policy has been the desire to equalize financing opportunities for the local public sector. That is to say, to secure a certain quality in the provision of local public services such as primary and secondary schooling, and the care of the elderly even for sparsely populated areas. Until the late 1970s, no real efforts were made to prevent the depopulation of such sparsely populated areas. Instead in-migration to the major city areas was more or less supported by the national government. However, by the late 1970s, regional policy was re-focused on the development of sparsely populated areas through the provision of different subsidies aimed at the support and stimulus of local industrial life. Using this description of regional policy as a point of departure, Westlund then goes on to discuss Swedish migration patterns. Since 1970 there has been a tendency for individuals to migrate from the sparsely populated areas to the major city areas, and also from the centre of the major cities to the surrounding municipalities. However, Westlund does not provide any formal evidence for the hypothesis that this migration is either caused by (or through the lack of?) regional policy per se. This paper is of a descriptive nature and may as such serve as a source of inspiration for further research.

To summarize, this is interesting reading for everyone working in the field of regional science and regional development, with many important and interesting questions and issues raised, analysed and discussed throughout. ■

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