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MICROPROCESSES OF DEREGULATION: THE SWEDISH EXPERIENCE OF THE DECENTRALIZATION OF EDUCATION[1]

Erik Lakomaa
Institute for Economic and Business History Research
Stockholm School of Economics
erik.lakomaa@hhs.se

Richard Wahlund
Department of Marketing and Strategy
Stockholm School of Economics
Richard.wahlund@hhs.se

Decentralization of education has been a recurrent policy debate in many countries. In 1989, the Swedish Parliament decided to transfer the political and economic responsibility for primary and secondary education from the state (the national level) to the municipalities. The reform, implemented in 1991/1992, increased the size of the Swedish municipal sector by one-fifth, making the reform one of the most sweeping in Swedish history. Despite broad support for the reform in Parliament, the process was slow, and deliberations continued for twenty years before the final decision was made. To understand the microprocesses underlying this decision and the slowness of the process itself, we refer to insights from behavioral economics. In addition to the empirical contribution, we show how behavioral economics can be used to improve historical analysis of decision-making processes. The article is based on studies of public records and on a unique set of interviews with key advisers and top-level decision makers, including the prime minister, which allow us not only to describe the process thoroughly but also to analyze it in the broader context of the Swedish welfare state.

[1] Erik Lakomaa is currently an Associate Editor of this journal. This paper was submitted before his election as an Associate Editor, and was accepted after the usual double-blind review process to which all articles published in the journal are subject.

Introduction

During the late 1980s and early 1990s, Sweden moved from a highly centralized system of public services to the international forefront in the field of deregulation and decentralization, and many previously state-run services were opened to competition. These services included not only education but also railroads, telecommunications, intercity bus traffic, electricity, radio, television and eldercare.

In many areas, the first step involved creating markets and local accountability and then opening these markets to competition. This first step was also taken in the case of education. The decision to decentralize education, made under a Social Democratic government in 1989, was followed by the introduction of a voucher program by the then newly elected center-right coalition during the 1992-1993 academic year.[2] The "municipalization" of schools, i.e., the transfer of responsibility from the national level to the municipal level, which was implemented in Sweden in the 1991-1992 academic year, was not only the first but also the most far-reaching decentralization reform in Sweden. After the reform, schools comprised about one-fifth of municipal obligations, and more than 115,000 teachers changed employers from the national government to the municipalities.[3] However, municipal responsibility for the school system was not new. The national government had gradually assumed control over various parts of the school system starting in the 1950s and finally took full control during the 1972-1973 academic year. Subsequently, the issue of "remunicipalizing" occupied a place on the political agenda.

The research question addressed in this article is why the decision-making process was so drawn out, despite the actors agreeing, at least in principle, on both the problem and its solution. We also argue that tools from behavioral economics might be used to understand both the slow process and why the decision was finally made. Here, we address the question of whether this reform was simply another example of

[2] The 1992 school voucher reform in Sweden does not fall within the scope of this article.

[3] The teachers were employees of the municipalities, but their salaries and conditions of employment were fixed by the national government; therefore, the responsibility for personnel was split between the two.

"Scandinavian consensus culture"–it was not.[4] The degree of agreement was more or less similar for two decades. One can even argue that the degree of agreement was lower when the decision was made than that at earlier points in the process. When the decision about municipalization was finally made, a widespread political consensus existed regarding the need for change in terms of the party responsible for education. However, there was open dissent about how and when this reform would be implemented, and even if the teachers' unions had supported decentralization previously, they were strongly opposed to the reform at the time of the decision.

The choice of case is made from the ambition to examine a political decision-making process that: (i) was not primarily driven by partisan politics; (ii) affected large groups within society (personally or economically); and (iii) was not unique to Sweden. Decentralization of education, or control over education, has also been a recurrent theme in policy debates in many countries, and the pendulum has swung in both directions. In the United States, the trend has been to centralize control over education, as exemplified by the introduction of "Common Core". In addition, the methods used in this article and the insights gained from using the tools of behavioral economics in historical analysis could also be applied to other decision-making processes. Thus, the article contributes not only to policy history but also, and perhaps more importantly, to the general understanding of how and when political decisions can occur.

[4] Scandinavian consensus culture is a concept used in history, political science and management studies (see, e.g., Jenny Andersson 2009; Ingalill Holmberg and Staffan Åkerblom 2001), and it has been used to describe a culture "where the procedures established by the state for consultation with representatives of business and civil society, and the recruitment to government bodies of individuals with 'expert knowledge' perceived to represent both the market (i.e., Swedish big business) and the people (i.e., the popular movements) can be seen as a technocratic decision-making practice. As a governmental strategy, it simultaneously granted social engineering wider legitimacy and public acceptance from 'stakeholders'" (Bengt Larsson et al. 2012, 17ff).

Previous Research

Public sector administrative reforms constitute an area of research that has attracted significant interest in recent years (Ewan Ferlie 1992; Arun Ghosh 1994; Carolyn J. Heinrich 2002; Jørn Rattsø and Rune J. Sørensen 2004; Lois Recascino Wise 2002). A subset of reforms concerns the transfer of responsibility from one jurisdictional level (national, state, county or municipal) to another (Pranab Bardhan 2002; Tulia G. Falleti 2005; Frederik Fleurke and R. Willemse 2004; George M. Guess 2005). Another subset relates to school reforms involving decentralization (Joshua Angrist et al. 2002; Robin Chapman 1973; Falleti 2005; E. Mark Hanson 1989; George R. La Noue and Bruce L. R. Smith 1973; Jon Lauglo 1995; William G. Ouchi 2006; Steiner-Khamsi, Gita and Ines Stolpe 2004; Florencia Torche 2005; Annemarie Van Langen and Hetty Dekkers 2001; Fred C. White and Bill R. Miller 1976).[5] The school reform studied here fundamentally differs from most other school reforms because of the rationale behind it. Rather than seeking to improve the quality of education, this school reform primarily aimed to achieve a consistent system within the public service sector, where the national government provided individual income transfers and designed the regulatory framework but the responsibility for and the financing of the services fell to the municipalities. The transfer of power did not intend to change the relationship between the state and markets within the educational school system or to extend school choice.[6]

[5] None of the previously studied reforms included a full-scale transfer of responsibility, either economic or organizational, from one political level to another. Possible exceptions include the 1981 Chilean school reform (Falleti 2005; Torche 2005), the 1990 reform in Venezuela (Tracy Mitchell 1997), and the 1989 and 1993 reforms in Colombia (Elizabeth M. King et al. 1999). In Chile, the responsibility for delivering services was transferred from the national government to municipalities and private operators–a system retained by the Social Democratic government that took over after the country's return to democracy in 1990. However, in Chile and Venezuela, control of most of the financing was maintained at the national level or was controlled by the Department or Education (Taryn R. Parry 1997; Torche 2005; Donald R. Winkler and Taryn Rounds 1996).

[6] The relationship between the state and markets within the educational system has been critically assessed in Holger Daun (2006).

Methods and sources

This article aims to describe the process preceding the implementation of municipalization and to analyze the microprocesses underlying the decision (Gerry Johnson et al. 2000), especially the negotiations between the Ministry of Education and teachers' unions, with a starting point in behavioral economics theories.[7] Following the approaches of Bruno S. Frey et al. (2013), Lakomaa (2008), Margaret Ann Neale and Max H. Bazerman (1991), and Herbert A. Simon (1955), we use insights from behavioral economics (or economic psychology) to better understand political decision making. The classical rational choice model has been challenged by researchers in behavioral economics. These researchers have observed that people's behavior deviates from that described in theories about rational behavior in economic sciences. Unlike traditional theories, behavioral theory observes that people are not strictly rational and that they often use rules of thumb (heuristics) when making decisions. A central theme has been negative deviations; for instance, people do not always maximize long-term benefits when they make a decision, and they are instead governed by short-term considerations, by information that is easy to access psychologically, and by their emotions. Behavioral economics theories are also used to explain how people resolve conflicts.[8]The behavioral economic theories used in this article can be divided into three main categories: reference point theories (adaptation level), prospect theory, and mental accounting.

Reference Points

In decision-making situations, reference points play an important role. How we value things depends on which reference point that we use. According to the classic Weber-Fechner model, the intensity of a sensation

[7] The extent to which decentralization was successful is beyond the scope of this article, which covers only the decision-making process. Erik Lakomaa (2008) showed that the decision, to the extent that it can be assessed, led to increased efficiency and to benchmarking. See also Daun (2006).

[8] This article does not attempt to test whether these theories are correct. Instead, the aim is to determine whether any of these theoretical predictions match the actual outcome and, if possible, to see whether the decision makers consider these effects when they work towards Parliament's acceptance of a particular decision or when they plan the reform.

is proportional to the logarithm of the intensity or the strength of the stimulus that causes that sensation, i.e., diminishing reactions to stimuli. Therefore, we will react more strongly to, for example, an increase in the price of an item from 10 to 20 than from 20 to 30, even though we will have less money left over after the purchase in the latter case. Being exposed to different reference points thus leads to different reactions; by providing such reference points, different reactions can be triggered.

Prospect Theory

Prospect theory (Daniel Kahneman and Amos Tversky 1979) is based on the idea that people react to changes from a reference point–rather than in relation to the final total, level or stated outcome–and that a change will be perceived as a loss or as a gain depending on what the reference point is. The value function in prospect theory is concave for perceived gains and convex for perceived losses. The function is also steeper for losses than for gains, as previously observed by Adam Smith (1776), causing people to pay more attention and react more strongly to losses than to gains; this reaction is referred to as "loss aversion". When applied to evaluations involving risk, the weight function in prospect theory stipulates that we overestimate low probabilities and underestimate high probabilities. These properties make people react differently to a change or a prospect based on how it is presented and perceived, which is commonly called "framing". Framing thus affects decisions and enables agenda setters and political entrepreneurs to influence decisions in the direction that they want by presenting them in a particular way. This theory has numerous implications. Being concave for gains and convex for losses, the value function leads to risk aversion for gains and risk seeking for losses, which may be further enhanced by the weight function (Richard Wahlund 1992).

Loss aversion also implies that people will demand more to give something up (a loss) than they will pay to acquire the very same thing (a gain), a concept that Richard Thaler (1980) termed the endowment effect. Loss aversion also causes people to consider sunk costs (earlier investments, actions, etc.) when making new decisions (Thaler 1980). A similar effect is the "status quo" bias, according to which people prefer the current state (which otherwise would be lost) over a new state (a possible

gain). Consequently, an externally caused change is often viewed as a deterioration of the present state, thus defining such changes in general as losses, which are negatively motivating and result in a tendency to resist such changes. By contrast, internally evoked changes may be viewed as gains and thus positively motivating (Kahneman et al. 1991).

Neale and Bazerman (1991) have described how prospect theory affects negotiations. If negotiator A believes that each concession that he makes is a loss to him or to the interests that he represents, an agreement is less likely than if negotiator A believes that each concession made by negotiator B is a gain for negotiator A. Prospect theory suggests that the most effective concessions in a negotiation are those that reduce the other party's losses, whereas the least effective ones are those that increase his gains when he is already ahead.

Mental Accounting

Mental accounting means that people divide current and future resources (money) into different (explicit or implicit) accounts depending on where they originated, when they will be used and for what purpose. With this method, gains and losses will be experienced differently depending on which account they impact, which influences decisions (Neale and Bazerman 1991; Thaler 1980, 1985). The propensity to save versus the propensity to consume differs between different mental accounts. For example, the propensity to save is high for capital accounts and for lump sums but low for income and consumption accounts (Thaler 1980). Mental accounting can have different effects depending on how the accounts are defined and how they are combined. If we have two positive outcomes, x and y, they can be evaluated by integrating them into one account, i.e., $v(x+y)$, or by segregating them into two accounts, i.e., $v(x)+v(y)$. Since the value function for gains is concave, $v(x)+v(y) > v(x+y)$. By contrast, if both outcomes are negative, integration will lead to a less negative outcome and thus a more favorable total outcome than segregation will. If one positive outcome, x, is small compared with a coincident negative outcome, y, a so-called silver-lining effect can materialize by segregating the accounts. The silver-lining effect means that some of the suffering that a bad outcome produces is mitigated by the happiness resulting from the positive outcome (Thaler 1985).

Mental accounting is connected to several different psychological phenomena related to human decision making, including endowment and status quo effects, omission bias (a tendency to judge harmful actions as worse or less moral than equally harmful omissions or inactions), and sunk cost effects.

Sources

This study is based on official records from the Swedish Parliament, government studies, newspapers as well as transcripts of parliamentary debates.[9] The written source material has been supplemented by a number of oral history interviews that we conducted with key decision makers, including the prime minister and key advisers to the political leadership (some now deceased), thus providing a thorough description of the political process regarding not only the deliberations linked to the decision in Parliament but also placing the school reform in the broader political context of postwar Sweden. [10] The interviewees were selected to obtain the perspectives of the Social Democratic government (including Prime Minister Ingvar Carlsson and Undersecretary Per Borg), the opposition (including Margit Gennser, the conservative spokesperson for municipal issues), the municipalities (including Lars-Eric Ericsson, then chairman of the federation of Swedish municipalities), insiders from the Ministry of Finance and advisers to the political leadership (including Carl Johan Åberg and Bengt-Åke Berg, who have also been active in local politics).[11]

[9] Most of them are digitized and can be accessed through "Riksdagens öppna data" ("Open data from the Swedish Parliament"), data.riksdagen.se. Committee reports are in some cases available online and in other cases available from the official committee archives.

[10] The interviews were conducted as part of a research project by Lakomaa (2008). Previous examples of studies using interviews to document the history of Swedish educational reforms include Johanna Ringarp (2011) and Lisbeth Lundahl (2002) who used anonymous interviewees. The main difference between our study and their studies is that we included persons active earlier in the process (in the 1970s)–this difference is important since we are analyzing the lengthy decision-making process rather than the educational reform itself.

[11] Several of the interviewees have written memoirs which were used as source material. However, few of these memoirs discussed the municipalization of education. Three of the interviewees–Åberg (1997), Borg (2004, 2006) and Gennser (1982)–have written in other contexts about how public sector reforms can be achieved; however, they did not use education as an example.

A number of contemporary Swedish cabinet ministers, for example, Sten Andersson (1993), Carlsson (1999, 2003), Kjell Olof Feldt (1991), Mats Hellström (1999), Anna-Greta Leijon (1991), Göran Persson (2007), Thage G. Peterson (1999), and Mona Sahlin (1996), have written about their time in the cabinet, but only Persson mentioned the school reform. Perhaps this omission implies how uncontroversial many politicians considered the reform. However, Persson, a central actor, wrote about "a violent political struggle"[12], but whether he meant that this struggle raged within or outside of Parliament is unclear. If the latter, his description is compatible with those provided by other sources; if not, the opposite is true. Persson could possibly be inflating the extent of resistance to the reform to make his own efforts in favor of it seem more important. However, the motivation(s) underlying Persson's statement cannot be determined. He exaggerated how many people were affected by the reform[13], but he understated its importance in relation to other aspects:

> The so-called municipalization reform, which Anitra [Steen] and I pushed through, did not really consist of anything [special] except that employer responsibility for all teachers was transferred to the municipalities.[14]

However, none of the other sources tries to downplay Persson's role. In fact, the opposite is true; unlike Persson, they often highlight how sweeping this reform was.

Decentralization in Historical Context

The 1989 decentralization reform had a prehistory, and it cannot be properly analyzed outside the context of the development of the Swedish welfare state and the divisions of responsibilities within it.

From 1950 to 1970, both the Swedish economy and the public sector grew rapidly. GDP increased by, on average, 4 percent per year, while

[12] Persson (2007, 54).

[13] Persson (2007, 54) claimed that 200,000 teachers were included in the reform at a time when only 115,000 teachers were employed at the grade-school and high-school levels.

[14] Persson (2007, 54).

public expenditure increased from 24.7 to 43.9 percent of GNP. At the same time, public consumption increased from 12.6 percent to 21.8 percent. In 1980, public expenditure had increased even further to 62 percent of GNP, and public consumption reached 29.3 percent. However, economic growth almost ceased.[15] From the end of the expansion period, i.e., the mid-1970s, the municipalities did take on a large part of the increase in public expenditure, simply by continuing the expansion despite belt-tightening at the national level.

The development of the Swedish welfare state can be crudely divided into a formative phase which lasted until 1950, an expansion phase which lasted until 1975, and a consolidation phase which followed the expansion phase. During the formative phase, the local community and then the municipalities delivered services including schools, care for the sick and the elderly, and policing. The distinguishing characteristic of this period was steady, not overly rapid, growth in public commitments at the municipal level. The expansion phase that followed also had distinct characteristics: major increases in the public commitments and centralization. During this period, the national government took responsibility for many activities that had previously been handled at a lower level. For example, the police, the courts and the schools were centralized. The municipal reforms implemented during this period also included a major reduction in the number of municipalities–from approximately 2500 before 1952 to 282 in 1972, greatly increasing the average size of municipalities. After 1975, the expansion of the public sector diminished or ceased, and the changes thereafter were primarily issues of responsibility and efficiency.

The same long-term trend–first centralization and then decentralization, which was the hallmark of the public sector as a whole–can be seen in the context of the school system.[16] When public education was first introduced in Sweden in the middle of the eighteenth century, it became the concern of parishes, while higher levels of education (including "gymnasium", similar to secondary school) were handled at the national level. As early as 1949, many municipalities introduced the nine-

[15] Hans Björklund and Klas-Göran Larsson (2005, 3).

[16] See also Göran Bergström (1993).

year "Unified School" as a replacement for the earlier double-tracked educational system with "folkskola" (grades 1-6 or 1-8, open to everybody) and "realskola" (grades 5-9 or 7-9, admitted by application). In 1950, Parliament decided that Sweden would implement the "unified" school system across the country. The Unified School, which would be renamed "Grundskolan" (9-year Comprehensive School) in 1962, was then introduced gradually throughout Sweden, and the process was complete in the academic year of 1972-1973 [17]. Transferring the responsibility for education to the national level sparked protests in many municipalities and by teachers and their organizations, who believed that the National Swedish Board of Education[18] and other bureaucracies would become too influential. The Ministry of Finance also expressed criticism.[19] Making the national government responsible for education nationwide was perceived as a step away from the division of labor that the government had decided upon.

Within the Labour movement, and from the late 1960s in the government, many believed that the state should be responsible for economic security and that the municipalities should provide welfare services. According to this model, education should be a municipal responsibility.[20] The introduction of the Unified School was implemented simultaneously and symbiotically with the merging of municipalities. An influential argument, if not the only one, in favor of merging many smaller municipalities into a few larger ones was that more students were needed to fill the many different paths of study that the Unified School originally intended to offer.[21] "This was the prime reason for starting the discussions

[17] See, e.g., Niklas Stenlås (2010), Christina Florin and Ulla Johansson (1993) Tomas Englund (1992) or Gunnar I. Richardson (1992) for more comprehensive discussions of the historical development of the Swedish educational system.

[18] "Skolöverstyrelsen".

[19] Åberg interview 2007.

[20] Åberg (interview 2007) and Carlsson (interview 2007) note that the government had an idea of who would be responsible for the different tasks described above but that this idea was not a firm doctrine. This idea was also shared by, for instance, the Liberal party, which was then part of the center-right opposition (Ringarp 2011, 37).

[21] See also Lundahl 2002.

about a municipal reform, as not all our small municipalities–over 1000 in all–would be able to implement the school reform".[22] The merging of municipalities can thus be seen as an outcome of the school reform rather than the other way around. The process did not have the support of all municipalities, which was one reason that the mergers were not implemented more quickly. In 1969, the Parliament abandoned the earlier voluntary path, and the transfer of responsibility for primary education to the national level was fully implemented in the academic year 1972-1973.

Almost immediately after the Comprehensive School had been introduced, the question concerning who should be the responsible party came up for discussion. Ingvar Carlsson, the Social Democratic Minister of Education at the time, believed that decentralization was the next logical reform step.

Before the creation of instruments for centralized control, a risk that schools would not be uniform throughout Sweden was present, but when such instruments were in place, the municipalities would take over.

Issued in 1973, the national government's study on regional guidance was the first step toward the municipalization that would occur more almost two decades later.[23] This study proposed that all employees be hired by local school districts but that the national government should regulate their terms of employment. The economic conditions would be regulated by the national government from this point forward.

Five years later, another government committee study group, the "School, State and Municipality Committee", produced a memorandum which discussed whether the municipalities could assume the main responsibility for education.[24] However, this memorandum never made a deep impression on politicians, but it led to the committee's final memorandum, also published in in 1978–when a center-right government coalition was in power–that discussed municipal responsibility for education.[25] This later memorandum stressed that a possible municipal

[22] Persson and Sundelin (1990, 58). Gennser (interview 2007) was of the same opinion.

[23] SOU 1978:65. The study was also called "*Länsskolnämdsutredningen*".

[24] *Skola, Stat, Kommun*, i.e., "School, State [Nation], Municipality".

[25] "Skolan en ändrad ansvarsfördelning, SOU 1978:65" ("Schools–a Change in the Distribution of Responsibilities").

responsibility would have to be implemented gradually over a long period. Similar studies continued in the early 1980s. For instance, a study by the Committee on School Administration (SAK) proposed decentralization in the hiring of school principals and teachers.[26] The proposal resulted in a proposition that regulated hiring, where certain decentralization processes were proposed, but who the responsible party would be was not discussed.[27]

In the five years after the SAK study, there was almost complete silence regarding this issue. However, the 1985 budget proposition returned to the issue of who should be the responsible party.[28] This proposition recommended that government no longer regulate the hiring of school principals. Unlike the studies from the 1970s, this proposition can be regarded as the starting point for the future decentralization reform since it was the first concrete step undertaken to transfer the responsibility for education from the national level to the municipalities. In 1988, a new government study report was issued, and a proposition based on this report was submitted.[29] The committee then proposed that municipalities assume the primary responsibility for education. Decentralization was described not only as a strategy to create "education according to the academic curriculum"[30] but also as a strategy to increase focus on outcomes, clarifying the distribution of responsibilities, giving more power to students and their parents, and creating more efficient and flexible school administrations and personnel policies. This description is consistent with the previous idea of decentralization and quality control going hand in hand.

This proposition died in the committee, but a new bill was introduced in 1989.[31] The government claimed that the prior development should lead

[26] The SAK produced a report titled "Förenklad skoladministration, SOU 1980:5" (Simplified School Administration).

[27] Eva Haldén (1997).

[28] Proposition 1984/85:100.

[29] SOU 1988:20 *"En förändrad ansvarsfördelning och styrning på skolområdet"*, Proposition 1988/89:4.

[30] The idea that municipalization will result in an education system that is more consistent with the national curriculum may seem paradoxical, as such consistency would seemingly be easier to achieve through a centralized operation.

[31] Proposition 1989/90: 41.

to the transfer of responsibilities for education to the municipalities and that the municipalities should take responsibility starting in the academic year 1991-1992. This shift to municipalities would then give school staff increased influence over their work situations and facilitate the transition from rule-based to outcome-based education. After extensive debate, Parliament passed the bill on 8 December 1989.

The Political Debate

In Parliament at that time there was a widespread consensus that the school system should be reformed. However, there was also widespread criticism regarding how the reform was handled and how it had been confused with the concurrent union contract negotiations. Gennser, a member of Parliament and the spokesman for municipal issues for the Conservative Party, which was part of the center-right opposition at the time, summarizes the reason for such criticism:

> We had to do it, but it was done in the wrong way. [The earlier] system was not manageable, for example, regarding union negotiations. The teachers had two employers with which to negotiate, and they were not able to maintain their pay grade if they changed municipality. Also, the municipalities did not accept any responsibility.[32]

Persson, then Minister of Education for the Social Democratic government, presented a similar view in his memoirs:

> The teachers were already employed by the municipalities. But it was the national government that regulated the teachers' salaries and conditions of employment, which practically meant that the teachers had two employers. My view was–and still is–that such a split personnel responsibility risks both organizations becoming passive.[33]

Economic factors were also used to bolster arguments in favor of a transfer of responsibilities to the municipalities. Notably, the system for

[32] Gennser interview 2007.
[33] Persson (2007, 54).

financing the school system was regarded as practically incomprehensible, complicated, and overwhelming. As Gennser explains:

> The system for distributing economic resources was completely bizarre. Determining whether a school would receive 0.941 percent or 0.916 percent of the funds allocated by a formula was impossible. Probably only a few people in Sweden knew how the system [that funded schools] actually worked in detail.[34]

Even Carlsson, then the Social Democratic prime minister, agreed that the system used then was difficult to comprehend and that a system for the national funding of schools could not provide the flexibility that schools with different local conditions required.[35]

Securing a Parliamentary Majority

In Parliament, the new proposition triggered the filing of numerous motions. Olof Johansson, the leader of the center-right opposition Centre Party, and a number of conservatives and liberals, also part of the opposition, argued that the proposition should be voted down due to procedural concerns.[36] In essence, because of how the issue had been handled, Parliament had unintentionally become party to union negotiations because it would decide teachers' salaries and conditions of employment.[37] The Conservatives also argued that no decision could be made because how the national goals would be achieved had not been sufficiently studied.[38]

Lars Leijonborg, the Liberal Party's spokesperson on education, also stated that deciding on this issue before clarifying how the government's contributions and methods of directing education would be constructed would be unwise.[39] In addition, he also highlighted the resistance to municipalization as an important reason to reject the proposition. In doing

[34] Gennser interview 2007.
[35] Carlsson interview 2007.
[36] Motion 1989/90:Ub2.
[37] Motion 1989/90:Ub7, Motion 1989/90:Ub4, Motion 1989/90:Ub5.
[38] Riksdagen (1990/91). Protokoll 1990/91:44.
[39] Motion 1989/90:Ub9.

so, he deviated from many others in the opposition by not concentrating on procedural arguments when arguing against the proposition.

Most opponents raised procedural arguments against the bill rather than criticizing its contents. For example, despite her proposal to reject the proposition, Gennser claimed that a widespread consensus across party lines called for action and that even back in the 1970s when studies of the issue first surfaced, the obvious solution to the problem had been to dissolve the dual responsibility.[40] When Carlsson was interviewed twenty years after the decision about how the process had worked, he fully concurred with Gennser, noting that as early as the early 1970s, he had suggested that the responsibility for education be transferred to the municipalities.[41]

The Communist Party favored the proposal more than the other opposition parties, which was expected because the Social Democratic government depended on the Communists' votes in Parliament to remain in power. The Communists wanted to pass the bill provided certain conditions were met: the teachers would have to pass national competency standards, the national government's contributions intended for municipal school activities would not be reduced, and school funding would be earmarked. Additionally, the government would offer municipalities loans to finance improvements to school buildings. The Communist Party also demanded that national education goals be established to prevent differences from developing between municipalities.[42]

When the proposal was discussed in the Standing Committee on Education, the Communist Party demanded increased government funding for schools. In their memorandum, the Communists proposed that, in addition to paying SEK 300 million as proposed in the bill, the government would make an additional annual payment of SEK 50 million to finance the continuing education of older teachers, for example, those teaching grades 1-3. The committee accepted this demand. The committee also emphasized that municipalization must not create regional or local differences and suggested methods for penalizing municipalities that did

[40] Gennser interview 2007.
[41] Carlsson interview 2007.
[42] Motion 1989/90:Ub8.

not fulfill the requirements. The requirements not only regulated the curriculum but also related factors, such as the student-to-teacher ratio, class size, educational materials, school buildings and rooms, school health care and school libraries. Persson (2007) highlights these key issues and opines that the municipalities did not fully fulfil their new responsibilities:

At the same time, I was fully aware that the government would continue to provide direction for the school system. The curriculum, [basic] education of teachers and the continuing training of teachers were national government responsibilities to be implemented by continual follow-ups and evaluations of the municipally-run schools. In 1991, when the Social Democrats lost the power, only the first part of the reform had been implemented. The second part, concerning government follow-up and evaluation, was mismanaged by the new center-right government. The new Minister of Education, Beatrice Ask, was too weak in her negotiations with the Association of Swedish Municipalities.[43]

The criticism from the Communist Party and the Liberal Party–in contrast to that of the other parties–often described the reform in this way. The former highlighted that uniformity might introduce risks and that decentralization might lead to cost cutting. The latter concentrated on criticisms from groups of teachers and opined that a reform that did not have union support should not be implemented; however, they agreed with the Communists' concerns that decentralization may potentially result in reduced school resources.

The Social Democratic government's arguments were mainly based on education benefiting from teachers having only one employer, the teachers' bargaining position being improved, and salary negotiations being simplified.

As Gennser has noted, the widespread consensus was that the extant dual responsibility system was problematic. The arguments presented by the teachers' unions were countered by those of the Social Democratic government. Both promised clearer rules for goal fulfillment and increased funding and argued that municipal politicians, because of their proximity

[43] Persson (2007, 55). Ask was a Conservative Party member of Parliament and the Minister of Education from 1991-1994.

to voters, would be forced to prioritize education in their budgets to avoid losing voter support. To respond to objections concerning differences between different localities or regions, proponents argued that the national government would introduce far-reaching systems through which they could follow up and evaluate the reform in practice. At the same time, the center-right parties criticized the Minister of Education because he helped prolong and deepen the teachers' ongoing labor conflict through his poor handling of the issue.[44]

Securing Acceptance from Teachers' Unions

Prime Minister Carlsson has argued that decentralization would likely not have occurred had there not been a Minister of Education with the courage to challenge the powerful teachers' unions and that Persson was selected based on this criterion.[45]

Municipalization could not have occurred if the teachers' unions had shown a united front against the proposal. Persson managed to convince the Swedish Confederation of Professional Employees (TCO), a labor union, and its chairman Björn Rosengren of the merits of decentralization, which was key to its success.[46] Even though the teachers' union (LR), a TCO affiliate, was critical of the reform, Rosengren became an early supporter of it. Rosengren opined that municipalization would result in better working conditions, as the employer's responsibilities would be clarified. "Two employers are often the same as no employer".[47] Arguing in favor of the reform, Rosengren also observed the general decentralization trend in the public sector, noting that municipalizing schools would be quite natural.[48] Decentralization would also lead to increased influence because "interests [will be focused] on the day-to-day work that is performed by teachers and students and the political decisions are moved closer [to the voters]".[49] Rosengren also claimed that the

[44] Bondelid and Jörgen Kleist (1989).
[45] See, e.g., Ringarp (2011, 70ff).
[46] Carlsson interview 2007.
[47] Stig Malm and Björn Rosengren (1989, 3).
[48] Ibid.
[49] Ibid.

concerns about municipalization leading to reduced uniformity were unfounded.[50]

In its proposal, the government stated that decisions would be made closer to those who were affected by them and that the communication between different groups within the schools–students, teachers, parents and other school personnel–would thus be improved. The proposal acknowledged that teachers had expressed concerns about the proposed reform, which, among other things, would change hiring practices. The government also opined that these issues, rather than being spelt out in laws and decrees, should be handled through negotiations between teachers' unions and the employers or their organizations.[51] Persson argued that continuing with a combination of municipal appointments and national regulations would create "uncertainty and a lack of clarity".[52]

On 13 November 1989, the teachers' unions went on strike, and their primary grievances related to salaries and the municipalization. The strike ended a month later after the proposed municipalization of the school system passed. However, the strike was successful because the initial proposal was reworked to include both additional funding for schools and significant salary increases for teachers.

The main criticism of the teachers' unions was that if they became employees of the municipalities, they would lose the privileges that they had enjoyed as civil servants, primarily better employment conditions. The teachers also expressed concerns that municipalization would lead to reduced resources for schools. The union magazine SACO-magasinet noted teachers' fears that local politicians would prioritize child care and eldercare over education.[53] The reworked proposal addressed this concern

[50] Malm and Rosengren (1989, 3).

[51] Proposition 1989/90:41.

[52] Persson (1989).

[53] Ahlroos, Maja and Peter Starnert (1990). In hindsight, they were wrong. The major cuts came in the domain of eldercare, in which a 20-year trend of increasing expenditures was broken because the tasks related to eldercare were municipalized (Lakomaa 2008). SACO is the Swedish Confederation of Professional Associations, an umbrella organization for unions organizing college graduates.

by allocating SEK 300 million as an additional government provision related to the municipalization of education.[54]

Analysis of the Process

As a tool of analysis, traditional decision-making models, for instance, that of Michael D. Cohen et al. (1972) or John W. Kingdon (1995), imply that a decision will either be made as soon as an issue is raised or never be made at all. The model of Cohen et al. can be described as one where decisions are made when a solution finds a suitable problem to solve. In this case, both the problem (the shared responsibility of the school system) and the solution (municipalization) existed long before the decision was made. No other problems or solutions were ever discussed. By contrast, in Kingdon's model, decisions are made when there is a window of opportunity, which is often created by external events. For example, a plane crash may open a window of opportunity for stricter regulation of airlines that would otherwise be less likely. In the school system, no such event occurred, and the window was thus either opened from the early 1970s onward or closed for the whole period. Therefore, the decision would have been made immediately or not at all. Neil Fligstein (1991) also emphasized that shocks are necessary to realize institutional change. However, the aforementioned behavioral economics theories could help to provide a better explanation.

The main question examined in this article is why the decision-making process was so drawn out, even though the actors at least agreed in principle as to what the problem and the solution were. For example, a parliamentary majority in favor of municipalizing education most likely existed in the early 1970s. Several behavioral economics theories can be applied to answer the question and to address other aspects of the reformed decision-making process. At the time of the transfer of responsibility for primary and secondary education to the national level in the early 1970s, there were already discussions about remunicipalization. Even the teachers' unions were supportive of decentralization.[55] However, because the responsibility for schools had just been transferred to the national level,

[54] Proposition 1989/90:41.
[55] Carlsson interview 2007.

immediately reversing that change was most likely more difficult because such an action would have activated loss aversion. Reversing the change would have indicated that the decision to centralize education had been wrong, causing the decision makers to lose face and possibly trust. This reversal was also made more difficult because the transfer to the national level had been made gradually over a long period. Consequently, when the schools in the last municipalities were finally centralized in 1972-1973, many believed that education being a national responsibility was an established fact, activating the status quo bias and the sunk cost effect (Hal R. Arkes and Peter Ayton 1999), both of which are consequences of loss aversion.

Thus, there was already a large group for whom municipalization would be perceived as a loss, and this group could thus be assumed to have been disinclined to accept change. As the reference point had been moved, what had earlier been the norm was now perceived as risky. The established order, the status quo, was regarded as the safe alternative, and anyone who wanted a change had the burden of proof.

As both the municipalities and the national government wanted to implement the reform, the battle was not waged between different political levels. Instead, it was mostly a problem of getting the teachers' unions to accept municipalization. Due to concurrent salary negotiations and the strike that resulted in substantial salary increases, the teachers' resistance was broken. Teachers' resistance likely faded–at least in part–because the salary increases were linked to the decision about municipalization. As these two changes, the salary increases and the municipalization, were concurrent, the teachers perceived the economic benefits as the silver lining of municipalization. The teachers' perceived loss, the municipalization of their positions, was mitigated by their gain via salary increases. If the issues had been handled separately, the decision-making process would have been even more complicated. The two accounts would have been evaluated separately, and the teachers' resistance would likely have been greater. From this perspective, the government handled the issue very skillfully. If the decision had been delayed, then connecting these two changes would have been more difficult.

As to other aspects of the reform, a phenomenon that politicians most often refer to–directly or indirectly–is the proximity effect (Wesley

Kilham and Leon Mann 1974). Politicians seem to be aware that making a decision that is disadvantageous to a person is more difficult if the decision maker runs the risk of running into that person face-to-face. If such a face-to-face encounter occurred, the decision maker would experience loss aversion. According to Åberg, for this very reason, Minister of Finance Gunnar Sträng attempted to prevent his subordinates from having too much contact with municipal politicians throughout Sweden.[56] He wanted to handle these contacts himself. In Sträng's view, if municipal politicians were allowed to govern the process, then costs would skyrocket: "In the 'bunker' that was the Ministry of Finance, it was easier to stand up against such demands".[57]

Furthermore, prospect theory and mental accounting can explain why political changes are combined with additional funding as bait–a silver lining. Such bait would not have been necessary in a world of neo-classical actors, where a change in the responsible party would, in principle, have been an accounting issue. The action involved transferring both responsibility and financing from one political level to another. To realize the municipalization of education, additional funding was promised to reduce the resistance to change. As the fiercest opponents of municipalization were members of teachers' unions rather than members of Parliament, the compensation primarily came in the form of significant salary increases for teachers who were members of TCO. As part of the reform, additional funding was made available for the continuing education of teachers, acting as an extra incentive for teachers to support the change.

Concluding Discussion

The municipalization of education differed from other political issues because it did not seem to have been driven by any external events, changes in voter preferences, or by the media; instead, this transition was the outcome of an internal political process. This process began in the early 1970s when preliminary studies concerning the issue of the responsible party were conducted, and it ended in 1991/1992 with the final

[56] Åberg interview 2007.
[57] Ibid.

implementation of the reform. Throughout this process, other issues on the political agenda were perceived as more urgent. Thus, the school issue never made it to the top of the list despite the consensus regarding the necessity of reform and the stance of the Social Democratic government, which was in power during most of this period, that public services were a municipal responsibility.

In economic terms, the municipalization was about reducing the risk of a feared cost increase in the future rather than directly reducing costs. For instance, politicians (the national government) were prepared to promise more money in the initial stages to convince those who feared that municipalization would lead to resource cuts to support the proposal. National versus municipal responsibility can be assumed to be an issue that would not impact large numbers of voters. Certain secondary effects, such as changes in employment conditions, teachers' salaries, and school funding, can certainly be assumed to have had an impact, but their connection to the change in the responsible party is unclear.

Lakomaa (2008) showed that educational costs had increased steadily before municipalization, a development that discontinued after municipalization. Since municipalization did not change the curriculum, education goals or teaching practices, the causes of the break observed in the development of costs must be sought elsewhere. The psychological factors described earlier can provide explanations for this break. From the perspective of behavioral economics, among other things, the change of responsible party likely led to costs ending up in other (mental or real) accounts, which led to changed priorities. For example, a cost considered too small to prompt corrective action when it was a part of the national budget (particularly if it would have to be handled through a general system of grants whereby schools were given grants based on several variables) could be regarded as unreasonably large when a specific municipality was responsible for it.

Likewise, the proximity effect can be assumed to have led to a clearer connection between the demand for school services and the school services offered by the municipality. At the same time, the decision was delayed because national politicians were afraid that municipalization would reduce their influence and widen differences in the quality of education between municipalities. Persson, then the Minister of

Education, has stated that one of his rationales for the reform was that municipalization would make it possible to break the unions' stranglehold on the school system. A transfer of power might have facilitated this break. At the same time, teachers and other proponents of the status quo may have (reasonably) feared that a change in the responsible party might facilitate the implementation of changes. Other effects connected to prospect theory may also have played a role. The decision makers may have overestimated the negative effects of a change and underestimated the positive effects.[58]

When the decision was finally made, the level of conflict was possibly higher than at any previous moment of the two-decade process (albeit–as the contemporary reflections offered by participants indicated–still not very high). This fact indicated that the process was not one of consensus building. The opposition to decentralization reform from within the Parliament could be seen primarily as opposition for opposition's sake: with some exceptions, the criticism of the proposal focuses on the timing and design of the process and not the intentions or the desired outcome.

An attempt to use Kingdon's (1995) classic model for the analysis would have shown that the window of opportunity either was open from 1972 to 1989 or was not open at all; thus, it would provide little help for understanding the process.

Conversely, the study of this process has produced some clear conclusions regarding psychological factors. These factors could be among the underlying causes of the 20 years that passed between the presentation of the first studies and the final decision despite the widespread consensus about the need for reform and most likely a political majority in favor of a change in the responsible party for education over the entire period. Thus, loss aversion, both among the voters and elected officials, and the resulting status quo effects, help explain this development (or lack of development). By overestimating the negative effects of a change and underestimating the positive ones, extra measures

[58] Given these results, both those who warned that municipalization could lead to large cuts in school funding and those who believed that municipalization would result in a loss of control over the costs were clearly wrong. The break in the trend was instead that the curve became flatter after 1991/92 (Lakomaa 2008. 97).

were necessary to make a change acceptable among all interested parties. This measure was introduced when Minister of Education Persson was able to link ongoing salary negotiations with the municipalization issue and to use the negotiated salary increases to bring the unions on board. Here, timing was of the essence because the solution depended on the municipalization decision and salary increases being concurrent and perceived as an integrated mental account, thus reducing the perceived losses due to these changes considerably.

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Interviews

Recordings, transcripts and notes from interviews and discussions with the following advisers and decision makers, all of which took place in Stockholm:

Carl-Johan Åberg, June 1, 2007
Bengt-Åke Berg, May 20 and October 26, 2007
Per Borg, February 11, 2007
Ingvar Carlsson, September 5, 2007
Lars-Eric Ericsson, December 12, 2007
Margit Gennser, July 23, 2007