Varieties of Marketization

Introducing a new Framework for the Study of Market Reforms in Nordic Welfare States

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Abstract
The article develops a new framework for the study of market reforms in Nordic welfare states based on a division between “markets”, “quasi-markets” and “pseudo-markets”. The two latter types of marketization have been the most common, and the article exemplifies them by revisiting the early 1990s Swedish school reform, “Friskolerformen”—which instigated a quasi-market for publicly funded schools run by both for-profit companies and non-profit actors—and the Norwegian hospital reform, “Foretaksreformen” of 2001—which created what we call a pseudo-market, in which public hospitals were reorganized to mimic the structures of capitalist enterprise. By discussing the different reforms in relation to justification, the type of welfare state sector, and the political orientation of the government implementing the reform, our study sheds new light on similarities and differences in marketization processes in the Nordics. Particularly, we find that the justification for the reforms differed, with the Swedish reform being justified in ideological terms and the Norwegian in technocratic terms. Contrary to some literature, we hold that marketization has fundamentally altered Nordic welfare states and the relationship between capital and society in the Nordics, and we suggest that our framework could be used for future comparative studies of market reforms.

Keywords
privatization, neoliberalism, independent school reform, health care reform, marketization

The concept of a “Nordic model” has always pointed toward the combination of a competitive market economy and a substantial welfare state, indicating that the two can coexist. Such a state of affairs is not given, however, and there is a degree of tension between capitalist and non-capitalist dynamics within the model. Despite much-discussed pressure from globalization (Bergh & Erlingsson, 2009; Fellman et al., 2008; Koivunen et al., 2021; Mjøset & Cappelen, 2011), the Nordic welfare states have not been dismantled in the decades following the 1973 oil shock and the ensuing economic and political changes, which have been described as a process of neoliberalization throughout the world economy (Duménil & Lévy, 2004; Harvey, 2005; Mudge, 2018). Bar a few exceptions (Pontussen, 1992), there has therefore been a tendency to emphasize continuity in the Nordics, and many research-
ers have, for example, noted that the welfare systems remain “generous” (Ellingsæter et al., 2020; Pedersen & Kuhnle, 2017; Servoll, 2021, p. 26). However, as far back as in the early 1990s Esping-Andersen noted that “a focus on spending may be misleading” when attempting to understand welfare regimes under capitalism (1990, p. 20). Recent historical scholarship (Andersson, 2020; Innset, 2020) emphasizes that the marketization reforms of the late twentieth and early twenty-first century constitute a break with the past, and we argue that this is related to the changed dynamic between capitalist and non-capitalist logics that these marketization reforms entail.

In line with this recent literature, the goal of this article is to contribute to the study of “the turn to the market” in the Nordic welfare states by introducing a typology of different forms of marketization based on a distinction between “markets”, “quasi-markets” and “pseudo-markets”. Using this framework, we can address questions relating both to similarities and differences across the Nordics in the period since the 1970s and, also, to the different ways in which marketization reforms have changed the particular relationship between capitalism and the welfare state that constitutes the Nordic model. How can we account for the varieties in marketization across the Nordics when it comes to different, previously non-marketized sectors, the degree of capitalist logic that has been implemented, and the nature and form of market creation?

Much previous research seeks to evaluate the consequences of marketization in specific sectors such as residential care for children, the system of unemployment benefits, and the school system (Hartman, 2011; McKowen, 2022; Shanks et al., 2021; Tranøy, 2006). In addition, efforts to systematize and theorize marketization processes have brought many new insights concerning, for example, the role of institutional evolution (Ebner, 2015), and preferences and strategies of political parties in relation to control of production and allocation of resources (Gingrich, 2011). The framework elaborated upon in this article offers a broader perspective. In particular, we extend the marketization concept to what we call “pseudo-markets” to highlight the impact of a distinctly capitalist logic in spheres that might not appear to be markets at first glance. This, we believe, offers new possibilities to understand the market turn in the Nordics. Like Gingrich (2011), our framework is inductive and rooted in empirical observations of the reforms (rather than being a more deductive, context-independent framework as, for example, proposed by Ebner, 2015; see also Altreiter et al., 2023).

We use two case studies of marketization processes from Norway and Sweden that allow us to elaborate on the typology and tease out critical components. The Swedish reform of the school system (“Friskolereformen”) in the early 1990s will serve as our example of a quasi-market. Although this reform has been subject to much scrutiny, previous scholarship has arguably been most interested in discussing its effects on the quality of education (Dahlstedt & Fejes, 2019; Henrekson & Wennström, 2022; Vlachos, 2011) and has to a lesser extent explored the structure of the marketization reform itself and how it relates to other types of marketization. The Norwegian hospital reform (“Helseforetaksreformen”) of 2001 will serve as our example of a pseudo-market reform. Similarly, this reform has been criticized in normatively framed research on its perceived negative effects (Veggeland, 2013; Voldnes, 2014). Other analyses have remained unwilling to interpret it as a type of marketization, relating it instead to various paradigms of “management by objectives and results” and referring to it as a “mixed and complex system encompassing different kinds of logic” (T. Christensen et al., 2006, p. 113). While such approaches are not incorrect – and “Helseforetaksreformen”, like many other New Public Management (NPM) reforms, contains elements from several traditions and schools of thought (Gruening, 2001) – it nonetheless risks con-
ceptualizing this major transformation as merely a technical adjustment. Our view is that both reforms form part of a common overarching trajectory that has changed the nature of the Nordic welfare states and as such the relationship between capitalism and society and between the public and private sector, especially in terms of power and resource allocation.

**Quasi-Markets and Pseudo-Markets**

As an analytical concept, “marketization” is used in a variety of ways. While early definitions mainly referred to processes within state-owned enterprises (van der Hoven & Szi-ráczki, 1997), recent research focuses more on the overarching creation and strengthening of market competition, either through private business or governments (Greer & Umney, 2022, p. 6). Our use of the term relates specifically to changes in the public sector, and the Oxford Reference definition of marketization as “the progressive exposure of the public sector to market forces” is useful for our purposes.1 Based on this definition, we make a further distinction between three forms, thus creating an overarching framework for how to think about the nature of marketization reforms: 1) market, 2) quasi-market, and 3) pseudo-market. The first, “market”, entails full-fledged privatization in which a formerly public entity is moved from the public sphere to the private sphere in terms of ownership and control. Consider, for instance, the reorganization in Norway of the real-estate assets of many public agencies and state-owned enterprises into a separate state-owned real-estate company, Entra, which in the period between 2014 and 2020 was sold to private investors in its entirety.2 This is more common with state-owned enterprises than in the “soft services” of the welfare state, however, and this paper is thus mainly concerned with the two other forms.

From the perspective of economic theory, the general aim behind these two alternative forms of marketization—i.e., quasi- and pseudo-markets—coincides with that of privatization proper, namely, to achieve higher efficiency or quality of services. This is anchored in a belief that the market and its associated logic and mechanisms—such as the price mechanism and competition—constitutes a superior mode of resource allocation (Mirowski & Nik-Khah, 2017), a view which has roots in the early neoclassical economics of the nineteenth century but grew to prominence within the economics profession after the 1970s. (Offer & Söderbergh 2016). Nonetheless, concerning crucial public responsibilities, such as education and health care, an all-important role is left for the state, both in terms of funding and as an ordering and controlling entity. With “quasi-market”, we refer to various schemes that introduce private actors, both non-profit and for-profit, to carry out publicly funded welfare services, often in competition with public entities that are reconceptualized as former monopolists. There are several ways in which, for example, tenders and voucher systems can be combined to create and organize a quasi-market (Le Grand, 1991), and in the following, we will look at the case of the reform of the Swedish school system in the early 1990s. Some researchers have referred to such schemes as privatizations (Arreman & Holm, 2011), as it introduces private companies with profit motives into what used to be a fully public service.

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1. https://www.oxfordreference.com/display/10.1093/oi/authority.20110810105339451\#sessi-
onid=7EE0D50BAC908E0E7AC9B49CEFE957C7D

ntb.no/pressemelding/staten-har-solgt-seg-ut-av-entra?publisherId=14943704&releaseId=17896411
Lastly, with “pseudo-market” we refer to the introduction of mechanisms and structures that aim to *mimic* a real market, but in which all or most activities are still carried out by public entities. This too can be done in a variety of ways, and in our chosen example, “Helseforetaksreformen”, hospitals were reorganized as state-owned enterprises with internal structures and mechanisms designed to imitate those of competitive markets, for example, price signals and the adherence to corporate accountancy law, rather than the rules and regulations of public administration (Voldnes, 2014). Various mutations of what we call pseudo-markets are recognized as an aspect of NPM (Hood, 1991), and we insist that they can beneficially be studied alongside reforms turning welfare state services into quasi-markets and markets. The borders between these forms of marketization are not always clear-cut or static, and one of our examples will show that a pseudo-market can gradually change into something more similar to a quasi-market. Nor is there always a clear line between what we call a pseudo-market, on the one hand, and other NPM reforms, an issue that we consider in our concluding discussion. There can be ambiguities and changes over time in public entities that have been reorganized internally to harness the efficiency of some sort of market competition, but the case of “Helseforetaksreformen” is chosen because the creation of state-owned enterprises signals that a capitalist logic is to permeate the organization from the top down.

When analyzing our two examples, we will pay special attention not only to what type of market reform was instigated but also to the political processes leading up to the reform and how they were justified. Quasi-markets and pseudo-markets change the relationship between capitalism and the welfare state, but in different ways. In a quasi-market, what was once “decommodified” and part of a sphere outside of capitalism is brought into a market system with competition. In a pseudo-market, the service remains both paid for and delivered by a public sector organization without a profit motive, but the logic of capitalist enterprise is copied and brought into the welfare state. Since the relationship between welfare states and capitalism is seen as constitutive of the Nordic model, we are especially interested in how the reforms that changed this relationship were justified. What sort of arguments were brought forward in the processes leading up to the reforms? Our discussion will then offer some remarks on how different forms of marketization have impacted the relationship between capitalism and the welfare state in the Nordics.

**A Market for Schools**

On September 12, 2022, the day after the Swedish general election, several newspapers reported a sharp rise in the stock market price for the country’s largest privately owned school company, Academia. In the election campaign, the governing Social Democratic Party (SAP) had promised to work for a ban on the extraction of profits to private owners in the school system. However, the election was won by the right-wing/conservative coalition, hence the positive reaction on the stock market. The example illustrates an enduring topic of controversy in Swedish political debate in recent decades: the free school reform in the early 1990s, as well as closely adjacent reforms, and their consequences.

In the wake of these reforms, which concerned all stages of primary and secondary education, the Swedish school system was radically transformed, with as many as 30 percent of pupils in upper secondary education today attending private schools, of which almost 90%

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percent are operated by for-profit companies such as Academia. Only in 2022, a whole range of new books was published on the subject, reflecting its persistent topicality (Henrekson & Wennström, 2022; Kornhall et al., 2022; Kornhall, 2022; H. A. Larsson, 2022). In particular, several studies focus on explaining current problems with the Swedish school system, which are often traced back to the free school reform (Dahlstedt & Fejes, 2019; Gustafsson et al., 2016; Henrekson & Wennström, 2022; Vlachos, 2011; Wennström, 2020). Other studies focus on political actors but tend to leave out the wider economic-political debate and the broader historical context (Gingrich, 2011; Klitgaard, 2007; Miron, 1993; Wiborg, 2015).

The free school reform was initiated in 1992 and was implemented quickly by a center-right government, but it has an important prehistory. Only a few years earlier, an SAP government had pushed through another important reform: the transfer of responsibility of the school system and employment of teachers from the level of the state to the level of municipalities, which has been pointed to as an important prerequisite for the subsequent changes (Lundahl et al., 2013, p. 503; see also Ringarp, 2011). In the early 1990s, SAP also proposed changes to provide fairer conditions for independent schools and to allow for more influence for parents and pupils. At this time, only one percent of pupils (not including upper secondary education) were enrolled in independent schools (SOU 1992:38, p. 12), and these schools were mainly confessional or with a special pedagogical profile.

These steps taken by SAP were not enough from the perspective of the opposition, however, and once a newly elected center-right government took office in October 1991, it moved swiftly with further reform of the school system. The watchword was choice, and the explicit goal was to introduce a “freedom of choice revolution” in the welfare sector (Riksdagens snabbprotokoll 1991/92:6, regeringsförklaring; see also Blomqvist, 2004). Within a short time two government bills (Prop. 1991/92:95; Prop. 1992/93:230) about extending the possibility to choose a school and increasing the number of independent schools were passed in parliament. Interestingly, the customary instigation of a governmental committee that would prepare the ground for important legislative changes was never created (Ringarp, 2017, pp. 43–46). In fact, the free school reform seems to have been the only major liberalization reform since 1980 that does not fit the Swedish style of consensus-oriented policymaking (Bergh & Erlingsson, 2009, p. 79).

What type of market was created as a result of the reform? In line with the new legislation, the educational sector was gradually turned into what we call a quasi-market, characterized by public funding, the public sector as “buyer” and school providers as “sellers” of education with the “users” (pupils) not having to pay for the service themselves, and competition between both public and private school providers (Le Grand, 1991, p. 1257). With the reform, Swedish municipalities were obliged to furnish all school providers that had been approved – and the rules for approval were lenient – with a sum for each pupil that was at least 85 percent of the average sum for a pupil in the public school, with independent schools being permitted to cover the difference with fees. Later in the 1990s, an SAP-led government changed this to 100 percent in order to provide equal opportunities (Klitgaard, 2007, p. 182). The money followed the pupil, who could choose any public or private school in his/her municipality or another. In the other Nordic countries around 1990, only Denmark had a tradition of a relatively large number of independent schools, but these were all non-profit (SOU 1992:38, pp. 29–31, 139).

The general structure of the free school reform corresponded well with the proposition made by Milton and Rose Friedman (Friedman & Friedman, 1980), who developed and popularized the idea of school vouchers. A key difference to the Swedish context was, however, that the Friedmans proposed their idea against a background of severe problems with
inequality in the US school system. For them, the voucher system and the competition it would spur was a means to increase the quality of school education across American society and provide poorer children with the chance of going to a good school (Friedman & Friedman, 1980, ch. 6). This was hardly the case in Sweden, where the whole school system was instead characterized by uniformity and relative equality in education, a fact which was also pointed to by the OECD as a key explanation behind the success of the Swedish educational system (OECD, 1992, pp. 7–8). The OECD also expressed concern about what the consequences of the radical change would be.

To understand the process behind the creation of the quasi-market for schools, we need to consider both the turbulent macroeconomic situation in the early 1990s, particularly the deep financial crisis, and the ideological preferences and interests of the historical actors. Despite the dire economic situation, cost-saving or efficiency were not key arguments when the school system was marketized. The government bill (Prop. 1991/92: 95, p. 9) mentioned that an increased number of private schools could lead to “more efficient use of resources” in the long term, and a later bill (Prop 1992/93: 230, p. 27) claimed that the reforms would lead to higher productivity. These were not the main arguments in the broader discussion, however, which revolved around more ideologically grounded ideas. It was instead the opposition (see for example the criticism from Social Democrats in Riksdagens Snabbprotokoll 1991/92: 127) and other critical voices who used accusations about austerity, claiming that the reform risked being used as a smokescreen to conceal cuts in resources to the public schools (Hennel, 1992).

The conservative party, Moderaterna, had sought to increase the level of choice in Swedish society since the 1980s, but the end of the Cold War and the ensuing prospect of bringing Sweden closer to Europe provided a new ideational climate and increased the scope to pursue more market-liberal politics (Nilsson, 2003, p. 101). In addition, an important internal factor in Sweden in the early 1990s was widespread discontent among parents, and not only among conservative voters, about a lack of influence and too few possibilities to impact their children’s schooling (SOU 1990:44, p. 239). From this perspective, introducing more choice in the school sector was a democratic reform that found its legitimacy in sentiments anchored in broad parts of the population. Representatives of SAP were nevertheless critical and argued that the reform had its origin in a “dogmatic desire” to privatize the public sector rather than in a genuine interest from parents (Motion 1991/92: ub62).

The center-right government pursued a radical and novel path that found its logic in an ideology that stressed the importance of individual free choice and the positive effects of competition. Beatrice Ask, Moderaterna’s Minister for Schools, used the expression “freedom reform” in a bid primarily to brand the reform as a tool to achieve variety and diversity and to give parents and pupils the possibility to make their own choices (Riksdagens Snabbprotokoll 1991/92:127). She also stated that “this is a structural reform that once and for all will end the collectivistic ideas about a uniform school (enhetskola)” (Ask, 1992). In October 1990, Carl Bildt (the leader of Moderaterna) and Bengt Westerberg (the leader of the liberal party Folkpartiet) published a joint plan for key reform areas that the two parties would work toward together if they would win the election in 1991. In a key phrase, they stated: “What we want to do is, with a starting point in a system with joint financing, let the money follow the choices that the individual seeks. As such the benefits of the market are combined with the justice of the common responsibility” (Bildt & Westerberg, 1990). This formulation regarding the integration of market benefits into a public system serving a common justice captures the essence of this kind of marketization reform in which the market mechanism is trusted to be superior to state planning, but not completely.
In addition to the largely ideologically driven political process, another important factor concerns the blurry sphere of political experts and professional lobbyists that appeared in the immediate events that surrounded the free school reform. Recent research has pointed to the role of capital’s attempts to influence “perceptions, organize actors and facilitate communication” as crucial to understanding the persistence of for-profit welfare providers in Sweden despite low support among voters, also to the right (Svallfors & Tyllström, 2019, p. 762). Since the 1990s, the political culture has changed and politicians, consultants, and experts move between the political and private-capitalist sphere in new ways (see, for example, Mudge, 2018, pp. 328–330). From the fall of 1991, the Ministry of Education’s legislative proposals were drafted by a group of experts of whom several had a background in Moderaterna’s youth wing, as well as in PR and advertising companies (Ringarp, 2017, pp. 34–37; see also Eiken, 1990). A few of them moved on in the 1990s and 2000s to become entrepreneurs in the quasi-market that they had earlier helped to create (M. Larsson & Plesner, 2023). In Sweden, the PR company Kreab has been pointed to as a hub for free-market ideologists with strong ties to organized Swedish business and Moderaterna. Kreab’s owner was chairman of a private school at the time and one of the most visible public advocates for the free school reform (Emilsson, 1991, 1992; see also Eskilsson, 2005, pp. 132–137; Ringarp, 2017). Ideological conviction and actors from the private sphere were thus joined together in the push to create a quasi-market.

Hospitals as Enterprises
In the late 1980s and early 1990s, then Norwegian prime minister Gro Harlem Brundtland, herself a medical doctor and later the head of the World Health Organization, campaigned actively against the conservative party Høyre on a promise that Norway would never have private hospitals under the leadership of her social democratic Arbeiderpartiet. In a recent interview she considered the fight against privatization her main political victory in the field of public health (Lunde, 2021), and some thirty years later, Brundtland’s promise holds true insofar as there are no full-scale private hospitals in Norway, despite the country having been run by governments of all stripes. That does not mean there has been no marketization, however, a key example being the wide-ranging “Helseforetaksreformen” of 2001, which reorganized public hospitals into state-owned enterprises (Ot. Prop. 66 (2000-2001)). As a result of the reform, the Norwegian state became the owner of five newly established regional health corporations on January 1, 2003, which in turn owned several subsidiaries, namely hospitals (Veggeland, 2013, pp. 11–13). The reform included a transfer of power from the regional level (“fylker”, counties) to the central state. It was this aspect that was given the most attention in the short public debate surrounding this far-reaching reform (Jensen, 2013, p. 44), and it has also been the focus of subsequent research (Hagen & Kaarbøe, 2006; Magnussen et al., 2007). But the reform did much more than just transfer ownership of hospitals from one level of government to another, and the leader of Arbeiderpartiet, Torbjorn Jagland, called it “one of the most important reform documents since the war” and “a revolution in public management” (Slagstad, 2012, p. 1479.) It is indeed within the framework of public management that this reform has been studied, and political scientists have also discussed it as part of a paradigm of “management by objectives and results” (T. Christensen et al., 2006, p. 113). Hagen and Kaarbøe, for instance, study the reform by extending what they call “a basic principal–agent framework” to include “vote maximization in the principal’s (central government’s) goal function” (Hagen & Kaarbøe, 2006, p. 321). While we do not argue against such descriptions and modes of analysis and concede that many aspects of...
“Helseforetaksreformen” have a genealogy related to public management practices that pre-date neoliberalism (Gronlie & Flo, 2019, pp. 102–118), we claim that we also need to discuss the reform not only as a technocratic change within an otherwise stable Nordic welfare state, but rather as part of the broader trend of marketization.

An important precursor to “Helseforetaksreformen” was the introduction of “activity-based financing” in 1997, in essence, a type of voucher system in which “the money follows the patient” – a reform prepared under Brundtland’s third government (1990–1996) and implemented under Jagland’s short stint as prime minister. This meant that the Norwegian central government began funding the different regions’ hospital expenses partly on the basis of the numbers and types of treatments carried out and not only as lump transfers, as had been the case before (Hagen et al., 2001, p. 7). The ambition was to incentivize hospitals to carry out more treatments for less money, and once “Helseforetaksreformen” was implemented this prior system of financing became a cornerstone of the economic organization of regional health corporations.

What characterized the system created by Helseforetaksreformen? By changing the hospitals from being an integrated part of public administration on the county level, into corporations fully owned by the central state, the regional corporations that were created became independent legal subjects overseen by boards representing the owner, and the whole economic management was changed to mimic that of a private company (Jensen, 2013, p. 45; Voldnes, 2014). Unlike other companies, however, Norwegian hospitals had no products to sell, and their income remained generated by transfers from the state. Through the already established system of activity-based financing, hospital services provided to the public free of charge were therefore reconceptualized as products being sold to the state, which paid a certain sum for each hospital service (NOU 2003:1). The system is exceedingly complex and has been subject to constant revision since it first appeared, but its basic feature is to assign a price to each hospital treatment (Opstad, 2000, pp. 148–151). The incentives created by such a system have been widely criticized by medical professionals (Tøndel, 2007), but the main point here with regard to our different forms of marketization is that although no private companies were enlisted into the public health system through this reform, it nonetheless constituted a type of market reform, namely what we call a pseudo-market.

“Helseforetaksreformen” was instigated by the first government of Jens Stoltenberg from Arbeiderpartiet, which although short-lived was recently hailed by the weekly newspaper Morgenbladet as one of the most consequential in recent Norwegian history due to the breadth and number of reforms it carried out (Reinertsen et al., 2020). In just 18 months, Stoltenberg’s government partially privatized the state-owned oil company Statoil and made it a publicly listed company, introduced a wide-ranging VAT reform, instigated inflation targeting under the auspices of a steadily more independent central bank, and created a “fiscal rule” for the use of revenue from North Sea oil exploration in public budgets that has been in use ever since. With the addition of “Helseforetaksreformen,” there is a pattern to Stoltenberg’s reforms, of attempting to make the Norwegian economy as such and the public sector in particular more efficient. Indeed, according to Hagen and Kaarbøe, “Helseforetaksreformen” aimed to solve “major problems in the Norwegian health care system: namely long waiting lists for elective treatment, lack of equity in the supply of hospital services, and a lack of financial responsibility and transparency.” (Hagen & Kaarbøe, 2006, p. 2129).

A feature of many NPM reforms has been decentralization, but with the transfer of hospital ownership from the regional to the state level, “Helseforetaksreformen” was arguably a centralizing reform in at least this respect, seeking to cut costs and gain control over the share of public expenditure going to health. An OECD report regarding health spending was given
great importance in the build-up to pass legislation, and the reform was presented as a solution to a perceived spending crisis in public health care (Jensen, 2013, pp. 38–44).

The creation of a pseudo-market was thus presented as a technocratic measure not in need of the type of ideological arguments linked to concepts like “freedom of choice” with which other marketization reforms like the Swedish “Friskolereformen” had been connected. There is an ideological aspect to the belief in the positive benefits of introducing market competition or market-like mechanisms into the public sphere, and in this regard it is difficult to separate between the ideology of politicians and the ideology of experts in the case of Norway’s market turn in this period (Innset, 2020). Stoltenberg himself was a trained economist, and the line between expertise and policymakers was blurry in Norway, something which had been the case since the rise of economics as a separate discipline in Norway in the interwar years, with a class of influential economist-politicians with close connections to Arbeiderpartiet wielding significant influence (Bjerkholt, 2000). In line with the development in other Western countries, Norwegian economists, who had been advocates of a type of Keynesianism and a system of at least partial economic planning in the postwar years, began advocating market-based solutions, privatization, and deregulation from the 1970s onwards (J. Christensen, 2017; Lie et al., 2016). A much-cited report to the government entitled “A better-organized state”, written by a committee under the leadership of the economist Tormod Hermansen, laid the groundwork as early as 1989 for the transformation of government entities into state-owned enterprises (NOU 1989:5). A new law on state-owned enterprises was passed in 1991, and throughout the decade economist-led, marketization reforms were undertaken both in electricity, telecommunications, and rail transport (Thue, 1996; Thue, 2006 on telecommunications infrastructure; Herning, 2009 on rail transport).

Being both an economist and the country’s prime minister, Stoltenberg epitomized the blurry distinction between politics and expertise in Norway, just at the time when both economics and politics had taken a turn toward the market (Offer & Söderberg, 2016; Mudge, 2018) Especially public choice theory was considered relevant for reforming the public sector (Innset, 2020, pp. 93–94; Tranøy, 2006, p. 11; for the importance of public choice theory in NPM, see Gruening, 2001), and leading politicians advocated such analyses as apolitical expertise. Norwegian economists of Stoltenberg’s generation were not necessarily content with advising governments from positions within the civil service and politics, however, instead becoming market actors in their own right. While Hermansen became the CEO of the newly created multinational company Telenor, formerly the telecommunications utility, Stoltenberg acted as chairman for a private economic consultancy company called Econ in the early 1990s, which he later made good use of during his time in power (Tranøy, 2006, pp. 138–141).

The reform was drafted by health minister Tore Tønne, who arrived at the position from a career in private enterprise, together with a specially appointed group of people, many of whom would later go on to make careers in the new hospital corporations (Slagstad, 2012). With support in parliament from both the major right-wing parties, Arbeiderpartiet had no problem passing legislation in June 2001, shortly after Stoltenberg’s government had introduced it. According to Sturla Herfindal, “Helseforetaksreformen stands out in Norwegian administrative history, due to the radical changes in the affiliation form and ownership for the hospitals” (Herfindal, 2004, p. ix). He concludes his in-depth study of the process by stating that “rarely has the time between a program decision at a party’s convention to a final decision in parliament been so short.” (Herfindal, 2004, p. 170).
Welfare states can be seen as part and parcel of a Nordic variety of capitalism insofar as the welfare state is an integral part of a social model which remains capitalist at its core. There is a mutual interdependence between what we in the introduction referred to as the capitalist and non-capitalist dynamics of the Nordic model, in which private enterprises and the publicly funded welfare states are reliant on each other for their continued existence. In this respect the Swedish “vårdcentralen” (health center), even before marketization, was always just as important for the capitalist system as Volvo. However, not only did leading social democrats conceptualize Nordic welfare states as spheres outside of capitalism that operated according to a different logic (Vestin, 2018), but the lived experience of Nordic welfare states has tended to contradict the idea that health centers are as capitalist as call centers. Our claim is that the compromise between the capitalist and non-capitalist dynamics of the Nordic model has been altered by marketization reforms such as the early 1990s “Friskolereformen” in Sweden and the 2001 “Helseforetaksreformen” in Norway. These were both introduced to improve services that remained fully funded parts of the welfare state, yet they nonetheless changed the relationship between capitalism and the welfare state which is foundational for the Nordic model. Rather than being something if not outside of, then at least different from capitalism, the welfare state, through these reforms became increasingly permeated by a capitalist logic, either through private companies running schools or through public hospitals being operated after a capitalist logic. Both reforms were implemented quickly, bypassing traditional processes and legislative procedures related to changes of such magnitude, something which can be observed also in other, far-reaching marketization processes, like that of the Norwegian electricity system in the early 1990s (Thue, 1996, pp. 104–105). Furthermore, both reforms were introduced following a transfer of power over the service in question from one level of government to another. In the Swedish case, the control over the school system was transferred from the state level to the municipal level, and in Norway, the hospital system was transferred from the regional level to the central state. While these administrative changes were important in themselves, the change in the level of governance also seems to have facilitated the introduction of market reforms.

Apart from these important similarities, our two reforms and the processes leading up to them were indeed very different from each other. The reforms were within different sectors of the welfare state and throughout the neoliberal period the healthcare sector has been primarily referred to in terms of “costs” (OECD, 2015), while the educational sector concerns “investment” in human capital and has been a priority for OECD, regardless of the much-discussed “fiscal crisis of the state” (O’Connor, 1973). Where an expanding health sector has been seen as a problem for Western economies in global competition, the educational sector is seen as the solution. This may have contributed to making the reforms different in nature, but a general focus on the improvement of quality was notable in both cases. Furthermore, the type of expertise involved in the processes looked different, as were the ways in which the changed relationship between capitalism and the welfare state was justified. In the Swedish case, several experts came from the sphere of communication and PR, while in the Norwegian case, we notice the influence of economists both within and outside the state bureaucracy. The governments carrying out the reforms were also of different political orientations, with Sweden’s Bildt government being formed by the conservative party Moderaterna, and Norway’s Stoltenberg government being formed by the social democratic Arbeiderpartiet. In the Swedish case, ideology, manifested in well-used concepts such as “freedom of choice”, was instrumental in arguments for the quasi-market reform. The Norwegian pseudo-market reform, on the other hand, was construed as purely techno-
What conclusions can we draw from the processes and arguments of our two cases and the different types of marketization that they represent? In the academic literature on welfare states, the concept of “decommodification” usually refers to the degree to which a welfare state manages to make individuals’ livelihoods independent of the market. Esping-Andersen defined decommodification as a state in which “citizens can freely, and without potential loss of job, income or general welfare, opt out of work when they themselves consider it necessary.” (Esping-Andersen, 1990, p. 23). Arguably, no Nordic welfare state ever fulfilled such a “minimal definition”, but Esping-Andersen insisted that the social democratic regimes nonetheless came closer than the liberal and conservative variants. Scholars have argued that neoliberalism has set forth a process of recommodification since the mid-1970s (see, for instance, Huws, 2019), but since the Nordic welfare states in general—and the services we use as examples in this article in particular—remain publicly funded, the degree of decommodification, defined in this way, is arguably unchanged.

The term “decommodification” could, however, also, refer more directly to how welfare states have sought to move parts of the social world that were once sold as commodities in markets, out of the market. In this respect, both quasi- and pseudo-market reforms imply a form of pseudo-recommodification, since welfare services are reconceptualized as precisely that: “services”; a product or commodity which can be bought and sold, from a private company to a consumer (market), from a private company to a publicly funded entity (quasi-market), or from one public entity to another (pseudo-market). Quasi- and pseudo-market reforms do not represent a full recommodification or a return to the pre-welfare state era, however, since it is the welfare state and not the individual that pays for the pseudo-recommodified service. While it should be clear that both full privatizations to the market, and a quasi-market where the state pays all actors on the market—either for-profit companies or non-profit organizations—to provide a welfare service, changes the relationship between welfare states and capitalism, we argue that this is a feature also of a pseudo-market. Even though there are no capitalists involved, welfare services are nonetheless treated as if they were commodities in a bid to ensure rational and efficient calculation of costs. Boundaries between pseudo-markets and other types of management by objective and results which abound in public sector organizations are not clear-cut. Rather, they exist on a sliding scale, from NPM reforms where our concept of pseudo-markets is useful, to reforms that might not be best understood through that concept. In the case of the Norwegian “Helseforetaksreformen”, however, the marketization aspect becomes especially clear through the reorganization of hospitals as state-owned enterprises.

Although the marketized public services we have used as examples in this article remain free of charge to the individuals using them, we argue that the introduction of capitalist logics, and in the case of quasi-markets even capitalist firms, should nonetheless be seen as an important change in the history of Nordic welfare states. The welfare state-aspect of Nordic model societies used to operate according to a profoundly different logic from that of the capitalist markets that also form part of the Nordic model; services were protected from market forces and offered on a non-market basis. Marketization reforms have changed this by reorganizing welfare states to mimic capitalist logics and dynamics. On the one hand this can be seen as a technical reorganization of the same system. On the other, however, it might also be seen as being at odds with or even undermining the very logic on which the welfare state is built—that is, the protection of certain services from market forces and offering them on a non-market basis. Marketization has shifted the balance between market forces and the
non-market logic that characterized the welfare states of the postwar era. It remains to be seen whether publicly funded welfare states can continue to thrive absent the idea that other logics and dynamics than those of capitalist markets can and should be part of the compromise constituting the Nordic model, and marketization reforms therefore deserve further scrutiny.

In this article we have proposed a new typology of marketization that would aid such studies. Both pseudo-markets and quasi-markets exist in a variety of sectors in the Nordic welfare states, indicating that neither marketization reforms in and of themselves, nor the specific type of marketization reforms chosen in each case, are sector-specific. Our examples include a right-leaning government introducing an ideologically justified quasi-market in Swedish schools and a left-leaning one introducing a more technocratic pseudo-market system in Norwegian hospitals. A pseudo-market system for schools would not be hard to imagine, however: In the Norwegian capital, Oslo, such a system was introduced by the conservative party Høyre in 1997, setting up a system in which public high schools compete for students, who all carry a specific amount of funding in a voucher system that does not include for-profit private schools (Malkenes, 2018). It also bears noting that when SAP took power in Sweden in 1994, the party neither reversed the “Friskolereformen” it had once opposed nor attempted to turn it into a pseudo-market without for-profit schools; instead, it implemented changes that did not alter the underlying marketized system (Klitgaard, 2007).

The change seems more likely to go the other way; from pseudo-market to quasi-market, exemplified by how Erna Solberg’s conservative government, which came to power in Norway in 2013, introduced a quasi-market reform entitled “Fritt behandlingsvalg” in 2015 through which hospital corporations were instructed to contract out more treatments to private clinics and patients were given the choice between public hospitals and private clinics for several treatments, fully funded by the public hospital system (HELED et al., 2021). The accounting system of the hospital corporations operating in the pre-existing pseudo-market arguably simplified this process; thus, we can argue that the structures of the pseudo-market were used to create a quasi-market. The use of the word “fritt” (free) also indicates an ideological justification for the creation of market structures that include for-profit companies, which is not available to social democratic governments in the same way. While “third way” social democratic parties have not been averse to neoliberal reforms in general (Mudge, 2018), the example of “Helseforetaksreformen” and the changes instituted later through “Fritt behandlingsvalg” indicate that there is nonetheless a distinction to be made within a broader historical movement of marketization: Conservative parties can use ideological language to actively promote marketization reforms that explicitly change the relationship between capitalism and the welfare state, whereas social democratic parties instead resort to technocratic pseudo-markets in order reap the efficiency-inducing benefits of market structures.

It is only in recent years that the sizable profits gained in marketized welfare sectors by large multinational companies, have become an issue in debates about “vinster i välfärden” (profits in welfare) in Sweden, and similarly through the concept of “velferdspotetiserer” (welfare profiteers) (Herning, 2015) in Norway. Formerly delivered almost exclusively by public entities, education has become a big market in Sweden, and similarly through the concept of “Friskolereformen”, the prospect of an extensive presence of for-profit school companies, which emerged later in the 1990s and 2000s, was relatively absent in the debate.
Among proponents, it is not surprising that freedom of choice and increased influence for parents and pupils were dominant arguments, but not even from critics were there many voices that envisioned the highly controversial market that developed later. If the profit motive was important for proponents of the free school reform, it was obscured, although it is arguably the main driving force of a capitalist enterprise, for which the reform paved the way. Certainly, for free-market advocates there is no contradiction in the profit-seeking of capitalists and concepts like diversity and freedom of choice; they are mutually constitutive.

As we have seen, however, the types of reforms toward a state of affairs in which expansive Nordic welfare states are sites of profit extraction for private capital, and the way the reforms have been justified, have been diverse and varied based on national contexts, different sectors, and political leaders of divergent political orientation. Future research could chart more marketization reforms in the Nordic welfare states, distinguish between quasi-markets and pseudo-markets, and investigate the degree to which different reforms are framed as ideological, technocratic, or use other forms of justification. The correlation between the type of marketization reform chosen, different sectors, justifications, and the political color of the government has the potential to generate new and interesting patterns that can further our understanding of these far-reaching changes in the relationship between welfare states and capitalism in the Nordic model.

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