

# 1. Introduction

It is no easy task to study ideas. Culpepper (2008) puts it eloquently, when he remarks that “Observing how ideas become shared is much like watching grass grow: nothing seems to be happening in the short term, but one day a former patch of mud is suddenly green” (p. 9). This description fits well with the development in the ideas that have structured Danish economic policy: through a fifteen year period, 1980-94, the ideas that were used by changing governments were placed within a Keynesian frame. In this perspective, economic ideas were stable. But ideational change did occur, though. Most importantly that different ideas were over time placed differently in the Keynesian set of ideas and thus had varying importance in the economic policy. Moreover, political actors also attached new economic ideas, e.g. from neoclassic economics, to the Keynesian frame. Thus, Danish economic policy experienced significant ideational change, but it occurred without a change of paradigm. If we look to existing ideational theories it will be difficult to analyse and explain these incremental changes.

The difficulty of following the development - in Culpepper's (2008) words - from mud to a patch of green has for a long time kept political scientists from seriously engaging with the study of ideas. The task of elucidating the role of ideas in politics has mostly been left for conceptual analysis, political theory and philosophy. A vibrant research community has developed around discourse analysis, but the majority of political scientists, that are traditionally focused on general or particular causality, have rejected the ontological and epistemological underpinnings of discourse theory. Then something happened. In the end of the 1980s and the beginning of the 1990s prominent scholars from different theoretical schools - though primarily from historical institutionalism - started taking ideas seriously.

The ensuing studies ushered in the 'ideational turn' in political science (Gofas and Hay, 2009).

One first generation scholar that came to have the greatest influence on the 'ideas matter'-debate was Peter A. Hall. His seminal article 'Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain' would be a standard reference for many future ideational studies. And now, more than fifteen years after its publication, this thesis too will take it as a starting point for developing a new ideational theory. This thesis' main charge against Hall's theory is its conception of ideas. As it will be argued in the next chapter, within Hall's framework of policy paradigms, ideas are conceptualized and studied as coherent and stable entities of meaning that change and lead to change in times of uncertainty and crisis. Moreover, the thesis argues that Hall's implicit understanding of ideas translates into a too strong emphasis on the stability of ideas, in turn creating a blind spot for detecting significant incremental, ideational change.

This might seem like an unnecessarily abstract critique. And why should one use so much energy criticising a theory that was formulated in the beginning of the 1990s, when a new generation of scholars have done much to develop and nuance Hall's paradigm perspective? The reason for the marked interest in Hall's theory in this thesis is that when the work of a second generation of scholars with interest in the influence of ideas on politics appeared, Hall's conception of ideas as stable, coherent and defined by a core was to a large degree still remained. Scholars still explicitly or implicitly conceptualised ideas statically and did not leave significant room for incremental ideational change. The standard model is that actors fight over which ideas should structure politics, the ones that win are institutionalised, and they thus structure policy making for a considerable amount of time, until a new set of ideas take over. The problem with this perspective is that it can only explain change through ruptures, that is, when ideas are replaced with entirely new ideas. As it will be argued in chapter three – where a theory of incremental ideational change will be put forward – this is

only part of the story. Often ideas change without being replaced, but still with significant political consequences. But when ideas are conceptualised as coherent and stable, it implicitly or explicitly leads to a ideational punctuated equilibrium model, which in turn leads to selection bias towards moments of radical uncertainty.

The theory of incremental ideational change that is unfolded through this thesis presents an alternative perspective on political ideas. With inspiration from linguistics and discourse theory it takes as its starting point the micro-structure of ideas and argues that ideas fundamentally are structured relationally, in the sense that ideas do not possess an essence of meaning. Instead the meaning of an idea is based on the relations of meaning that make up the idea, and the relation the idea has to other ideas. Ideas are both stable and unstable: Strategic political actors will try to fix the meaning of an idea, but because meaning is never finally settled, ideas remain fixed, yet non-fixed, controllable, yet uncontrollable. The chapter suggests three ways that ideas may change incrementally: First, when new ideational elements are fastened to the idea; second, when an element of meaning placed in the periphery of an idea moves to the centre of the idea to take up a more influential role; and third, a idea might also change meaning incrementally, when it is combined with another, e.g. when a new government combines their ideas with selected ideas from the previous government.

The empirical analysis of Danish economic policy from 1980 to 1994 to a large degree supports the argument that ideas change incrementally. New governments coming into power changed the set of ideas that structure their economic policy, but in large part they based their new policy on the ideas of the previous government. This somewhat conservative mechanism is detectable all through the fifteen year period under scrutiny in this thesis. An important reason why is that ideas are not as coherent and stable as normally envisioned in ideational theory. Rather, it is possible for seemingly contradictory ideas to co-exist and combine. This

does not sit well with the standard paradigm perspective on ideas, where paradigms are seen as incommensurable. In this way the paradigm perspective does not capture the dynamic development of ideas in politics. By taking the micro-structure of ideas as a starting point, it is possible to conceptualise the less radical – but still significant – changes that take place between ideational ruptures. The main contribution of this thesis thus lies in presenting a theoretical framework that can analyse both ideational change at the macro- and micro level – capturing both the ideational 'big bangs' and the less obvious, but no less important, developments from brown patches to green grass.

## **2. A review and critique of the paradigm perspective on ideational change**

### **2.1 Introduction**

It is no big surprise that Peter A. Hall's theory of paradigm change in economic policy (Hall, 1989, 1993) has been so influential to ideational analysis and theory. Both because his theory is relatively clear and intuitively understandable, but also because it indeed seems plausible that politicians and government officials use sets of analytical and normative ideas as heuristics to guide their way through complexity. Hall's theory has a large stake in the ideational turn of the last fifteen years, and in this way the theory can rightfully claim to have brought important and fresh insights to the study of politics. But, so goes the argument of this thesis, the influence of the theory has also had as an unfortunate consequence that ideas are predominantly conceptualized and studied as coherent and stable entities of meaning that change and lead to change in times of uncertainty and crisis. Certainly such a broad claim about ideational research needs substantiation, which the principal aim of this chapter.

The following critique takes its starting point Hall's (1993) theory of policy paradigms and social learning. However, it extends beyond this. It is my argument that though Hall's theory has been criticized and refined by many a scholar (e.g. Asmussen, 2007; Albrekt Larsen and Goul Andersen, 2009a and b; Blyth, 2002; Parsons, 2007; Taylor-Gooby, 2004), one of its perhaps less obvious weaknesses still remain, namely Hall's more or less implicit theory of what constitutes an idea and how it may change that has been imported into most new ideational research. It is my contention – which I will support in the section following my critique of Hall's theory – that a majority of the most important ideational studies implicitly or explicitly draw heavily upon Hall's understanding of what an idea is, how it functions and not least how it changes. This thesis is not the first to voice a critique of Hall's conception of ideas

as overly focused on stability and sudden ruptures. Thus, in the final section of this chapter, recent efforts to create a more dynamic conception of ideas are reviewed – and found wanting. Before we turn to these newer theories, however, we need to flesh out the central tenets of Hall’s paradigm approach.

## **2.2 Hall’s theory of policy paradigms and social learning**

Building on the insights of social learning theory (Hecl, 1974), Hall (1993) points to three central variables in the process of social learning: the *overarching goals* that guide policy in a particular field, the *policy instruments* used to attain those goals, and the *setting* of the instruments (p. 278). These three variables in social learning correspond to three different orders of change: A first order change where the overall goals and instruments remain the same, but the setting of the instruments change; a second order change where the hierarchy of goals in a policy field do not change but the instruments used to attain them are altered; and a third order change, where all three components – goals, instruments and setting of the instruments – change.

To Hall (1993) ideas are very important in policymaking: they specify “not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing” (p. 279). Ideas constitute the interpretive framework within which government officials and politicians understand and communicate about their work. Hall (1993) calls this interpretive framework a ‘policy paradigm’. In his description of how policy paradigms work, Hall (1993) draws an analogy to Thomas Kuhn’s (1962) science paradigms. With inspiration from Kuhn, first and second order change can be viewed as ‘normal policy making’. This kind of change adjusts the policy incrementally and routinely without challenging the overall terms of a given policy paradigm and in this way preserves the overall structure of the policy field.

A change of instruments or setting of the instruments (i.e. second and first order change) is *not* ideational change in Hall's theory. This appears from Hall (1993) argument that the framework of ideas politicians work within “specifies (...) the goals of policy and the kind of instruments that can be used to attain them” (p. 279). In other words, ideas, instruments and the setting of the instruments are three different variables. It is thus evident that Hall (1993) does not consider either first or second order to be ideational change. Moreover, it follows that ideational change only occurs with third order change, that is, as paradigmatic change.

Third order change is marked by a radical break with the usual terms of policy making, which leads to a fundamental rupture in the policy field. How does this radical rupture occur? Analogous to Kuhn's (1962) vision of paradigm change within science, a shift in a policy paradigm is most likely preceded by policy experimentation and the accumulation of anomalies – that is, “developments that are not fully comprehensible, even as puzzles, within the terms of the paradigm” (Hall, 1993: 280). The attempts to stretch the terms of the paradigm to explain these anomalies in the end undermines the authority of the paradigm. For a paradigm to change, then, it must face events that are inexplicable on its own terms. Policy making thus follows a specific kind of trajectory: long periods of stability are occasionally ruptured by sudden changes following a paradigm shift. In other words, Hall argues that policy making is structured by ‘punctuated equilibriums’ (Hall, 1993: 291, n63).

### **2.3 Hall's theory of ideational change**

There exists a clear - albeit more or less implicit - connection between Hall's conceptualisation of ideas and his theory of ideational change<sup>1</sup>. Hall does not present an explicit theory of what an idea is, so it is necessary to derive his understanding of ideas from how he argues

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<sup>1</sup> It is worth noting here that Hall is not explicitly aiming to create a theory of ideational change. What he is interested in explaining is which consequences ideational change has for policy making. In answering this question, however, he implicitly builds a theory of ideational change.

ideational change occurs as third order change. As shown above, in Hall's framework a highly coherent system of ideas – a paradigm – structures actors' perception of problems and solutions as well as which instruments or techniques are useful in attaining policy goals. Ideas are placed at the core of the paradigm, where they structure the choice of policy instruments and their settings.

Three connected implications follow from this conception of ideas: First, the strength and importance of ideas stems from their coherence and stability. Or, to put it differently, ideas need to be stable and coherent to structure a paradigm. Hall is quite explicit on this point: What makes ideas powerful is their stability and their ability to order action in patterned ways leading to the elimination of other political solutions, which in large part hinges on the support of centrally placed political actors. In this conceptualisation, ideas are only contradictory, ambiguous, open for contestation - in other words: dynamic - when they are about to be replaced with a new paradigm with different ideas. Ideas come to have influence exactly because they are stable, coherent and never questioned - because they are institutionalised in the policy making process. In short, ideas matter when they are coherent and stable.

Second, ideational change only seldom happens. Because ideas are placed at the core of a paradigm, and thus structure the mindset and communication of political actors, they only rarely change. To effectively process information and take decisions in situations of complexity, actors interpret their world through the lenses of a paradigm, and naturally they are very reluctant to question their ideas. The result is that ideas remain in place for long periods of time.

Third, when ideational change *does* happen, it happens in ruptures. Ideas are placed in the core of the paradigm, so for the ideas to change, the core of the paradigm has to change. Ideational change thus equals *replacement* of old ideas with new ones, not development in the



ideas. Following Kuhn (1962) this would entail a period of crisis. Actors are no longer able to use the ideas they have previously employed in their information processing and they can no longer effectively handle the challenges levelled at the policy field. Thus, Hall's implicit theory of ideas leads to a theory of change that argues that long periods of stability are sometimes, but very rarely, upset by dramatic ideational and political change. In this way ideas are only assigned significant explanatory power in times of 'normal policy making' when trying to explaining stability.

## **2.4 Newer theories of ideational change**

Hall's (1993) seminal study of paradigm change has provided great inspiration for many students of ideas in politics, and a lot of those studies explicitly use Hall to guide their empirical work (e.g. Asmussen, 2007; Albrekt Larsen and Goul Andersen, 2003, 2004, 2009a, 2009b; Béland, 2005; Pedersen, 2003; Walsh, 2000; Hay, 2001). Obviously these studies employ a conception of ideas that is very close to Hall's. Thus it is unnecessary to review all these studies to establish that they work with an understanding of ideas that stress the stability of ideas and change through ruptures. However, a number of notable studies have developed more comprehensive and original theoretical framework, which we turn to in this section, asking how ideas and ideational change is conceptualized in recent ideational theory. The argument of this section is that these theories implicitly or explicitly work with an understanding of ideas as stable and coherent and a theory of ideational change that focuses on ruptures.

One of the ideational scholars that have received most attention is Mark Blyth (2001, 2002, 2007, 2009a, 2009b). In his book, *Great Transformations* (2002), he proposes a theory of how ideas change in times of crisis. It would be unfair to Blyth's theory to criticize it for focusing on crises – after all it is crises and the institution building that follows, he aims to

explain. Moreover, he does not argue that his theory answers all questions regarding the political influence of ideas (see Blyth, 2009a) However, as part of his theory of how ideas matter during crises, Blyth more or less explicitly develops a theory of how ideas matter and function during periods of stability. It is with this implicit theory the thesis takes charge.

Blyth (2002) does not actually define an idea, but his five step model of how ideas matter in crises (p. 34-44) provides us with some clues as to how he understands the dynamics of ideas. According to Blyth (2002), actors use ideas to reduce uncertainty and interpret their political interests. Blyth argues that in times of stability “agents’ interests are relatively unproblematic (...) Under such conditions, agents’ interests are stable”, but “In situations of institutional instability, how interests are conceptualized changes drastically” (Blyth, 2002: 30). According to Blyth, actors’ interests are mediated by their ideas of the world. It follows that in times of stability ideas are stable. Looking at the fifth step in Blyth’s model, the notion that Blyth works with an understanding of ideas as stable and coherent is confirmed. Blyth argues that

“once new institutions are constructed out of new ideas, it is ideas as conventions that underpin these institutions and make stability possible. Ideas tell agents which institutions to construct, and once in place, such institutions reinforce those ideas” (Blyth, 2002: 43)

Ideas support the new institutions and tell the agents how to understand problems and find solutions. It is difficult to imagine that these ideas should be anything else than coherent and stable when they support the institutional stability. In sum, then, Blyth (2002) presents a theory of ideational change that rests on an understanding of ideas as stable and coherent and only rarely upset by large crises. At no point in his theory is it indicated that ideas may

develop between crises. Institutionalized ideas stand strong and stable until a crisis hits and they are replaced with new ideas.

A similar conception of ideas as stable and coherent is presented in Parsons' (2003) study of how community-oriented ideas came to dominate the organization of the European Union. Parsons (2003) does not present an actual theory of ideas, but it is possible to derive his implicit theory from his discussions of how actors use ideas and institutionalize ideas. From these discussions emerges a somewhat blurred picture of what an idea is. On the one hand ideas are described as "packages of related causal and normative assumptions that assign costs and benefits to possible actions" (Parsons, 2003: 7). This is the closest we come to a definition, and so on the face of it we would expect Parsons to endorse a relational understanding of ideas: ideas are *packages of related* assumptions.

On the other hand this conception is not maintained in the discussions that ensue. Rather, the relational perspective does not bear any consequences for the rest of his theory. Thus, Parsons writes about how actors can share a 'master frame' (fx p. 8 and 9); how a certain 'model' (the 'community model') was institutionalized; and "that on any given issue cultures often contain several competing ideas" and the political battle is about choosing *one* ideational tool, which often occasions major political conflict (p. 8). Parsons combination of a seemingly relational understanding of idea is undermined by the importance he lends to the term 'master frame' or certain 'models'. Moreover, his marked interest in the institutionalization of ideas supports the notion that Parsons (2003) works with an understanding of ideas that resembles Hall's paradigm-approach. Thus, Hall (1993) also stresses the institutionalization and stability of ideas, and his understanding of a paradigm that structures actors' perceptions bears close resemblance to Parson's (2003) understanding of how actors use ideas. Parson's (2003) theory of ideational change also lies close to Hall's (1993) focus on punctuated equilibriums in the sense that he focuses on how ideas gain

stability over a long period of time. The theoretical framework does not seem to open for significant ideational changes within the ideational model that is institutionalized. In this view, ideas constrain rather than enable political change.

In another study of the role of ideas in the European Union – Marcussen's (1998) study of why at the end of the 80s there seemed to exist complete consensus about macroeconomic policy making in the European Union – a similar conception of ideational change is presented. Starting from the social constructivist arguments of Berger and Luckman (1966), and drawing on policy translation theory (see below), Marcussen (1998) argues that “old ideas die out as a result of what is commonly perceived among elites within the European macro-economic organizational field to be an external shock and consequent policy failure” (p. 13). It is implicit to Marcussen's (1998) theoretical argument that ideational change means replacement of old ideas with new ideas (see e.g. p. 17). This also follows from his argument that following a perceived shock, and ideational vacuum arises. In this vacuum, policy makers are sensitive to new impressions - “and if these new impressions are consistent and become internalized then they will provide the individual with immediate cognitive relief” (Marcussen, 1998: 16). Once a “new ideational equilibrium has been established” (p. 20), the process of institutionalisation of ideas takes its start. The process of ideational institutionalization has reached its highest stage when organisations and procedures within an organizational field are constructed around certain types of ideas.

In sum, Marcussen's argument, despite its strong social constructivist starting point, exhibits many of the theoretical characteristics of mainstream ideational theory with which this thesis takes charge. This is seen clearly from the model of 'the ideational life-cycle' that Marcussen (1998: 23) presents. The model starts from firmly institutionalized ideas that are exposed to a commonly perceived destabilizing shock. After an initial ideational vacuum, different ideas compete to gain acceptance, and once this battle is over, a new ideational

equilibrium takes hold, and these ideas are gradually institutionalised. In other words, Marcussen's (1998) theoretical model is a typical example of what Seabrooke (2009) terms an 'ideational punctuated equilibrium model'.

Another example of the understanding that political ideas are stable and coherent can be found in Sabatier and Jenkins-Smith's theory about *Advocacy Coalition Networks* (Sabatier and Jenkins-Smith, 1993). According to this theory, actors' beliefs can be analysed in terms of a hierarchy consisting of a deep core of fundamental norms and beliefs; a policy core of fundamental policy positions and strategies for attaining core values; and secondary aspects that are basically instrumental decisions necessary to implement the policy core. Within the advocacy coalition networks there exists a large degree of agreement about the policy core and less agreement about the secondary aspects. That is, change in beliefs – or ideas – only rarely takes place in the deep core. Though the Advocacy Coalition Network-theory argues for the importance of more or less incremental learning processes, these processes are by and large, like in the case of Hall's (1993) first and second order change, confined to the more instrumental parts of a policy design. Changes at the level of the policy core are “usually the results of perturbations in noncognitive factors to the subsystem” (Sabatier, 1993). Thus, the ideas that guide the policy goals of a coalition are thought to contain a stable core that functions as an abstract, structuring frame for the more concrete policy programmes and proposals. In other words, the theory of Advocacy Coalition Networks is another example of a widely regarded theory that explicitly conceptualise ideas as stable, and relatively coherent.

Many of the theories we are dealing with here implicitly and perhaps unwillingly endorse an essentialist conception of ideas. One significant example is Berman (1998)<sup>2</sup>. She understands ideas – or what she calls 'programmatically beliefs' – as “abstract; systematic and coordinated; and marked by integrated assertions, theories, and goals” that “provide

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<sup>2</sup> Others significant examples are Baumgartner and Jones (1993), Beland (2005); and Weir (1992).

guidelines for practical activity and for the formulation of solutions to everyday problems” (p. 21) – a definition that lies close to Hall’s (1993) definition of policy paradigms. Berman (1998) further specifies that for ideas to gain influence they need powerful ‘carriers’ to support them with the aim of institutionalizing the ideas. Though Berman’s (1998) theory clearly originates in a constructivist position, her discussion of how ideas work leaves this reader with something akin to an essentialist picture of an idea: As if the idea is something that essentially exists, ‘carried’ by certain actors and, if successful, institutionalized to redefine actors’ interests. Where do ideas originate? How are they created? Are they malleable to make them fit with other actors’ ideas? Can they be captured by rival actors and in this process change meaning in important ways? Such questions – that indeed seem relevant for understanding the mechanisms by which ideas gain influence – remain unanswered within this kind of theoretical framework.

It is perhaps not surprising that the rational choice approach to ideas in politics employs a no less static or essentialist understanding of ideas<sup>3</sup>. A recent example is Culpepper’s (2008) analysis of bargaining between unions and employer organisations in Ireland and Italy. Here he argues that ‘common knowledge’ – an intersubjective frame of reference – constitutes the actors’ perception, e.g. of how the economy works and what their and their political opponents’ interests and motivations are. In this way, Culpepper (2008) elegantly combines a rationalist and constructivist perspective on politics to argue that: “The act of collective interpretation of shared experience is...firmly anchored in the material preferences of these competing actors, even as it is governed by the cognitive search for solutions to real-world problems” (p. 3). To explain how change in the relation between the bargaining parties might occur, he shows how common knowledge can wear out when it has shown itself to be flawed – usually through a period of crisis. Though one should certainly laud Culpepper’s effort to

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<sup>3</sup> For an introduction to rational theories of ideas in politics, see Busch (1999).

combine constructivism with rational choice, his theoretical framework is yet another example of the tendency permeating much theory about ideas in politics: it exhibits a static conception of ideas where ideational change only occurs in times of crisis owing to the understanding of ideas as stable and coherent.

## **2.5 A critique of theories of ideational change**

It is not the aim of above discussion to belittle the achievements of the theories I discuss. All the reviewed analyses have presented compelling theories and evidence that supports the general argument that ideas matter in politics. Despite its merits, though, the literature exhibits some important weaknesses that flow from their explicit or implicit theories of what an idea is. The thesis has especially taken issue with two tendencies of current ideational theory, namely the conceptualisation of ideas as stable and coherent and, second, that this more or less implicit theory of ideas bias the theories to overemphasize the stability of ideas outside crises. In effect, incremental yet politically significant ideational change is overlooked.

It is my argument that this conceptualization builds on a notion of ideas as structured by a *core* of meaning. One could ask where the stability of an idea comes from. A straightforward answer could reasonably be that ideas gain stability because their meaning remain unquestioned. Building on this, we can draw an analogy to Kuhn's theory of scientific paradigms. According to Kuhn (1962) scientists must be uncritical of the paradigm in which they work. In this view established, 'normal science' is characterized by agreement over the fundamentals of epistemology, ontology and methodology as opposed to pre-science that is dominated by disagreement and debate over fundamentals. To Hall (1993) this is what characterizes 'successful' ideas: by subscribing to the core tenets of a paradigm, the basics of the paradigm remains unquestioned, stable and coherent in the minds of political actors. Hall (1993) points to Keynesianism as an example of a paradigm that contains a "highly coherent

system of ideas” that “specified what the economic world was like, how it was to be observed, which goals were attainable through policy, and what instruments should be used to attain them” (p. ). In my interpretation, what Hall (1993) is describing here is *a stable core of meaning*. This is further supported by Hall’s discussion of the incompatibility of different paradigms, where he argues that

“Because each paradigm contains its own account of how the world facing policy makers operates and each account is different, it is often impossible for the advocates of different paradigms to agree on a common body of data against which a technical judgment in favor of one paradigm might be made” (Hall, 1993: 280).

Here Hall is describing a closed system of ideas, the stability of which is based on being closed off from other system of ideas. In this perspective ideas contain a core of meaning that structures the paradigm’s approach to problems and solutions.

Though there obviously are differences between ideational theories, it is my contention that newer theories (like Blyth, 2002; Parsons, 2003; Sabatier and Jenkins-Smith, 1993, etc.), as argued above, share with Hall the notion of ideas as structured by a core of meaning. In other words: *there exists a tendency in ideational research to conceptualize ideas as stable, coherent and structured by a core of meaning*.

It is not difficult to see, how this conception of ideas would lead to theories of ideational change that focus either on how ideas are very hard to change (Cox, 2001; Parsons, 2003) or change abruptly but rarely through punctuated equilibriums (Blyth, 2002; Hall, 1993; Sabatier and Jenkins-Smith, 1993; Marcussen, 1998). In these accounts, ideas are *by definition* stable, which makes it very hard to imagine that they should change significantly outside crises, because to change they need to break down. The theories that focus on the stability of



ideas, naturally lead the analyst to focus on very large changes. In effect, what constitutes change from this perspective is necessarily big bangs, because the change is brought on by the full and often sudden replacement of old ideas with new ideas. To put it differently: If our theory of an idea tells us that ideas are stable, coherent and largely unalterable it is reasonable to suggest that we have a tendency to disregard more incremental changes within the paradigm or idea as minor revisions that do not alter the idea substantially. If instead we understand ideas as relational (as opposed to contain a core) and never closed for outside challenges – an argument that will be presented in the following chapter – our investigation would not to the same degree bias us against smaller, incremental ideational changes. Before we turn to the theoretical argument of the next chapter, however, we will review some notable exceptions to the core-perspective on ideas.

## **2.6 Who have done something – but not enough – about the problem?**

I am not the first to voice critique of the conception of ideas that flows from Hall's theory of paradigm change. In the introduction to an edited volume about ideas and welfare state reform in Western Europe, Peter Taylor-Gooby (2004) for example argues that Kuhn's picture of a paradigm is not as easily transferrable to policy studies as indicated by Hall (1993). One important reason is that "it is unusual for a particular paradigm to command hegemony across the entire policy community in a way analogous Kuhn's understanding of dominant paradigms in natural science" (p. 5). Though there might be an overarching paradigm, most often there still is disagreement between actors advancing different visions of the paradigm. A second weakness in Hall's theory, Taylor-Gooby argues, is its vision of paradigm change. Referring to Vivian A. Schmidt (2002, cf. below) he argues that certain elements in a programme may change while others continue. In an effort to solve these problems, Taylor-Gooby turns to discourse theory and more evolutionary interpretations of ideas and politics. The theory of

this thesis also advances such a perspective, and tries to develop it to a greater extent than Taylor-Gooby (2004: 4-7) does in his introductory chapter. In other words, Taylor-Gooby's work points out some of the problems in the literature on ideas, but it does not solve the problem in any systematic way.

Perhaps one of the first prominent examples of a dynamic approach to ideas – a theory of public policy that conceptualises ideas as malleable and somewhat fuzzy – is found in John Kingdon's (2002) 'multiple streams' model. To describe the role of ideas in processes of agenda setting, Kingdon employs a picture of a 'primeval soup' where ideas float around, confront one another and combine. Ideas are open to the influence of other ideas, and ideas are continuously combined and recombined to achieve a form that satisfies a number of criteria to gain access to the policy process: technical feasibility, compatibility with the dominant values of the community, and an ability to anticipate future constraints under which it might come to operate. In other words, Kingdon (2002) points to how ideas are part of a broader idea-environment where ideas can be creatively combined in numerous ways. From the perspective of this thesis, the obvious weakness in Kingdon's (2002) theory is that it works with a punctuated equilibrium-approach to political change. Though ideas are conceptualised as malleable, dynamic and fuzzy, this does not lead to a dynamic understanding of change. In Kingdon's (2002) approach the researcher would look for large, sudden changes rather than incremental but substantial change.

Another challenge to the core-perspective on ideas comes from Bleses and Seeleib-Kaiser (2004), who have proposed a promising new perspective on the study of ideas in politics. They argue that ideas can be conceptualized as 'interpretive patterns' that "combine various themes, set preferences among them, link the positions (pro or con) with the various themes in relation to abstract values, which at the same time connect the themes on a generalized level" (p. 110). Though Bleses and Seeleib-Kaiser (2004) argue that their theory is

in accordance with Hall's paradigm approach, 'interpretive patterns' seem to be different from paradigms in at least one important way: their approach is dynamic in the sense that it opens for step-wise adjustments and modifications of the interpretive patterns, originating from actors' changing perception of pressing socio-economic challenges. Interpretive patterns are not dominated by a unalterable core of meaning that structures the different elements of the idea. Instead, actors may adjust the pattern in face of either socio-economic or political challenges and so the theory opens for change of an incremental kind. Unfortunately Bleses and Seeleib-Kaiser only hint at the potential for incremental change, probably because the primary aim of their book is empirical in nature. Thus, the argument remains wanting to the extent that it does not present a theory of incremental change, though the framework seems prone for such a perspective.

Vivien A. Schmidt is probably the researcher who comes closest to suggest a theory of how ideas develop in times of stability. In some of her most recent work, she points out that new ideas are not normally put in play on a clean slate. Instead, new ideas are typically reinterpreted and layered on top of the old ones, creating association between old and new ideas (Schmidt, 2008b: 12). She also argues that a 'fourth institutionalism', discursive institutionalism, considers change in a more evolutionary manner (Schmidt, 2008a: 316; Schmidt, 2009). This understanding of ideas has to some degree spilled over in her theory of ideational change. Thus, Schmidt (2002) proposes to substitute Hall's (1993) understanding of policy change as a Kuhnian replacement of one hegemonic discourse with Lakatos' picture of *overlapping* research programmes. In this perspective there is often one dominant paradigm, but there "may be other minority discourses waiting in the wings proposing alternative policy programmes" (Schmidt, 2002: 223). Thus, separate discourses that share a complementary understanding of the basic policy programme may exist at the same time. Though she identifies the problem of conceptualizing ideas as essentially stable, it does not

appear to be solved in her theoretical framework. The main reason is that she does not show us with which mechanisms the ideas develop, and how these mechanisms relate to the nature of an idea.

Another example of a theory that points to the dynamism of ideas has been worked out by Jabko (2006). He argues that an important part of what makes ideas strong does not stem from “their conceptual coherence but from their relative malleability” (p. 36). This prompts us to focus on tensions and inconsistencies of ideas and institutions as a source of change. In a similar vein Cox (2004) points to how the lack of ideational clarity within the Scandinavian welfare state paradigm of universalism enables the idea to cover a lot of inconsistency and contradiction and thus in practice function as a viable frame of reference for political actors trying to set a common tone in reform processes. From a more general perspective, Lieberman (2002) argues that many analyses within institutional and ideational analysis have a tendency of overemphasising ordered patterns and regularities. This focus on order blocks our view of more incremental yet transformative change within existing institutions. Ideas can clash with each other as well as existing institutions, a friction that may lead to significant political change.

Finally, there is a burgeoning literature on policy translation – which we will only touch upon briefly, because it will be introduced and applied in the next chapter – that has also worked with a more dynamic and relational understanding of ideas (Kjær and Pedersen, 2001; Freeman, 2006, 2007, 2008 a and b; Czarniawska and Joerges, 1996; Johnson and Bergström, 2005; Pedersen, 2007; Campbell, 1997, 2004). Within political science, policy translation is a sociological extension of the more mainstream policy transfer literature. Employing linguistic, anthropological and sociological theory, it argues that the transfer of policy – and more generally any use of policy by political actors – involves acts of interpretation (Freeman, 2006). Further, policy translation theory emphasizes how actors’

local environments affect their perception of policy elements transferred from other countries. In Freeman's (2008a) words: "Policy is made as it moves" (p. 7).

In this perspective actors are seen as *bricoleurs*. The word 'bricoleur' has its origin in French and is difficult to translate directly to English without losing significant meaning, but can be understood as a kind of professional do-it-yourself man or an 'odd job man'. One of the first scholars to use the analytical heuristic of the 'bricoleur' was the anthropologist Claude Levi-Strauss (1996 [1962]). According to Levi-Strauss the 'bricoleur' is "someone who works with his hands and uses devious means compared to those of a craftsman" (p. 16-17). When the 'bricoleur' tries to solve a problem, the tools and materials he uses are not defined by the problem at hand, but instead picked from the existing repertoire of instruments. The originality of the policy translation-perspective thus lies both in its dynamic and relational understanding of ideas as well as in its understanding of actors as bricoleurs.

## **2.7 Conclusion: a critique of mainstream theories of ideational change**

The above review of a number of ideational theories and arguments has served to substantiate the two central claims of this thesis about the existing literature:

- 1) There is a tendency permeating much ideational analysis to – implicitly or explicitly – conceptualize ideas as stable and coherent, which most often leads to what Seabrooke (2009) terms an *ideational punctuated equilibrium model*, which invokes the following general causality: institutional and ideational equilibrium -> radical uncertainty and battle of ideas -> new institutions and ideational equilibrium. Seabrooke (2009), along with this thesis, argues that this punctuated equilibrium model leads to selection bias towards moments of radical uncertainty.

2) Other scholars have in different ways and to a different extent noted this weakness in the theories (notably Bleses and Seeleib-Kaiser, 2004; Lieberman, 2002; Schmidt, 2002; Steinmo, 2003; Taylor-Gooby, 2004), but without, in the view of this thesis, coming up with a solution to the problem we are concerned with here, namely to create a theoretical model that can account for incremental yet significant ideational change.

It is now possible to state the problem in the existing literature on ideas with which the thesis takes charge: Ideas are implicitly or explicitly conceptualized as stable entities that through institutionalization stabilizes actors' think patterns. Due to their stable nature, ideas very rarely change. Thus ideas change not incrementally but in ruptures or punctuated equilibriums. In other words, the understanding of ideational change most often used in ideational analysis stems from a theory of ideas that stresses coherence, stability and a core of meaning that only changes when it is replaced with a new idea (which is not really a change *in* the idea but rather a change *of* idea).

The thesis is critical of this understanding of ideas on both a theoretical and empirical level. That is, can ideas meaningfully be conceptualized as stable and coherent; and does ideational change actually happen in ruptures, or does ideational change occur in a combination of small and large change? The following chapter will present an alternative theory that points to the possibility for incremental ideational change.

## 3. A theory about incremental ideational change

### 3.1 Introduction

It is surprisingly often that ideational theories are missing an actual definition of an idea. The reason is probably that 'idea' as a concept is very comprehensive. The term has been part of Western philosophy and political theory as long as these disciplines have existed. This shows, on the one hand, that it is an important concept in politics, but also that it is a concept that is very difficult to define and operationalise. It is thus futile to seek out a general definition of an idea. We will instead use a definition that delivers answers to questions pertaining to the specific parts of social reality we are studying – in this case, public policy in Western political systems.

This being said, the definition and theory of an idea that the thesis proposes, do carry some generality beyond this subject area. It traces some general properties of ideas to develop a theory of how ideas evolve over time, and how they matter in political battles. It does not claim to answer all questions of how ideas change and matter, but it suggests that a set of characteristics and mechanisms of ideas matter for the development of political ideas.

In this thesis, ideas are understood as *intersubjective webs of elements of meaning*.

To some this definition might seem unnecessarily convoluted in the sense that it is not intuitively understandable. However, with this definition the thesis aims to explicate what most often remains implicit and unclear in ideational theories. Some would maybe argue that it is much easier to define ideas like Hall (1993) defines a paradigm:

“a framework of ideas and standards that specifies not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problem they are meant to be addressing (p. 279).

Or like Berman (1998) defines ideas – what she calls ‘programmatically beliefs’ – as “abstract; systematic and coordinated; and marked by integrated assertions, theories, and goals” that “provide guidelines for practical activity and for the formulation of solutions to everyday problems” (p. 21)

However, these kinds of definitions are problematic, because they do not actually tell us what an idea is. Usually the definitions describe some traits of an idea (Berman: “abstract; systematic and coordinated; and marked by integrated assertions, theories, and goals”) which often amounts to using other words for ‘idea’ and thus *describing* what an idea is. Another typical way of defining an idea is to focus on the functions that the idea fills out (Hall: ideas specify goals, instruments, the nature of the problem etc.; Berman: ideas provide guidelines for practical activity and solutions to everyday problems). That is, the idea is defined by its function.

This thesis takes as its starting point the micro-structure of an idea. Contrary to mainstream ideational studies, the thesis aims to be explicit on the question of what an idea is, what gives it meaning, how it can develop etc. Instead of almost instantly jumping to the question of how actors use ideas for different purposes, the thesis will spend some time trying to identify what an idea *is* to better understand what it *does*.

The discussion will proceed by specifying the different parts of the definition. The following questions will be discussed: What is an element of meaning? What consequences does its intersubjectivity have? How is its meaning generated, and how is it changed? And what is a web of elements of meaning? Through a discussion of these issues, we are able to



construct an image of political ideas that provides a starting point for discussing how ideas can change incrementally, which is the subject of the second part of the chapter. The last part of the chapter discusses the methodological underpinnings of the empirical analysis in chapter four.

### **3.2 What is an idea? Fleshing out the definition.**

We will proceed by tracing out some general properties of ideas in society – that is, the general assumptions that guide an ideational study. All ideational approaches to the study of politics and society share at least one important ontological assumption: our perception of the world forms the basis for our actions. A further assumption is that the world is characterised by complexity, and people are not able to understand the many causes and effects that structure social reality (Blyth, 2002; Parsons, 2007). In order to act meaningfully, we need a clear picture of how the world works, and ideas provide us with such a picture. Actors grasp reality and handle complexity and uncertainty by employing cognitive short cuts and heuristics. This is what is meant by ‘elements of meaning’: beliefs about a delimited part of reality. Ideas are especially important to agents who act within systems of great complexity. The political system is an obvious example of a complex system and economic policy, which is the empirical interest of this thesis, certainly to no lesser extent is characterized by complexity and uncertainty.

Another important characteristic of an idea is its intersubjectivity. It is not the private minds of people we are probing in ideational studies. We might very well show great interest in the ideas that a certain powerful individual holds, but we focus our study on how these ideas are put into action within a collective of people. In this way, the ideas of individuals are only interesting to the extent that they are important to understand actions that bears collective political influence. Thus, in this perspective, the basic substance of social reality is

made up by subjects that continually interpret and reinterpret the different components of their shared horizon of meaning. An important dynamic in the intersubjectivity of ideas, is its invulnerability to unilateral change (Culpepper, 2008; cf. Wendt, 1999). Thus, to understand why actors act like they do, we must look beyond individual intentionality. Culpepper, quoting Searle (1995), argues: “Collective intentionality cannot be reduced to individual intentionality, because under it, “I intend only as part of our intending”” (p. 5).

One last dynamic that is worth pointing out is that though ideas are intersubjective social facts that remain impervious to unilateral change, they are malleable. Ideas change and they do it all the time. Actors are not helplessly left to accept the existing ideational structure. Powerful actors can change the meaning of ideas and make certain ideas important and others less so. This is all part of the political battle for generating the legitimate vision of the world (Bourdieu, 1991). The meaning and influence of ideas is determined by an interrelationship between how agents use them and the historical background of the idea. Ideas are fixed yet non-fixed, controllable yet uncontrollable (Carstensen, 2010a)

### **3.3 Webs of elements of meaning: A relational approach to ideas**

This thesis works from a relational understanding of ideas. Put simply: Instead of viewing ideas as bearers of a stable, coherent and essential meaning, it argues that the meaning of an idea is generated from the relation between the elements of meaning it contains. Ideas do not have a core meaning that structures the idea, but rather consists of a number of elements that together determines the meaning of the idea. The relational understanding of ideas reigns strong in linguistics (Saussure, 1974), discourse theory (Laclau and Mouffe, 1985) and conceptual analysis (Freedden, 1996). Thus, these traditions are a fitting starting point for a discussion of a relational approach to ideas.

The relational position has a long background in linguistics. One of its main

proponents, Ferdinand de Saussure (1974), argued in his *Cours de linguistique générale* (Course in General Linguistics) that words do not possess an innate meaning. In that sense signs are arbitrary: there exists no natural relation between the acoustic image (the signifier) and a concept (the signified). For example, the meaning of the word 'mother' does not derive from its relation to a certain object, but instead from its relation to other words like "father", "grandmother" and "daughter". In short, Saussure presents a relational understanding of language as opposed to an essentialist conception (Howarth, 2005).

This has the theoretical consequence "that language constitutes a *system* in which no element can be defined independently of the others (...) each element of the system is exclusively defined by the rules of its combination and substitutions with the other elements" (Laclau, 1993, italics in original). In the context of analysing the nature of an idea, we may thus think of the idea as the system and the elements of meaning as words within the system. In this way we can speak of an idea as constituted by a *web of elements of meaning*.

There is an obvious problem with the use of Saussure in a theory that seeks to 'resocialise' ideas, namely that to a large degree Saussure's (1974) system is closed off from social struggles: the relation between signifier and signified is almost unchangeable. Saussure (1974) offers a strong argument for how language is socially constructed, but a weak theory – at least from the perspective of this thesis – of how language might change. In order to make the theory open for dynamic change, we thus need to bring in other theoretical perspectives.

One solution is to use parts of Laclau and Mouffe's (1985) critical discourse theory. Laclau and Mouffe (1985) follow Saussure's argument about the arbitrariness of the sign, when they argue that a discursive formation – which resembles our understanding of an idea – is not unified. According to Laclau and Mouffe (1985) discourses are constituted by regularity of dispersion rather than an underlying principle external to the discourse. The different parts of the discourse depend closely on each other: "The point is that all values are

values of opposition and are defined only by their difference (...) Necessity derives, therefore, not from an underlying intelligible principle but from the regularity of a system of structural positions” (Laclau and Mouffe, 1985: 106).

The argument rests on a post-structuralist and anti-essentialist conception of ideas. It is important to note how the relations of meaning that constitute an idea are never shielded from exterior, social challenge. This is so because it is not logical necessity that creates the relations, but rather social practices that are never fully determined by an overarching structure. In this sense, ideas are not closed systems of fixed meaning. As Laclau and Mouffe (1985) point out: “neither absolute fixity nor absolute non-fixity is possible” (p. 111). The partial fixation is constructed through nodal points that function as attempts to structure the discourse:

“The practice of articulation, therefore, consists in the construction of nodal points, which partially fix meaning; and the partial character of this fixation proceeds from the openness of the social, a result, in its turn, of the constant overflowing of every discourse by the infinitude of the field of discursivity” (Laclau and Mouffe, 1985: 113).

In other words, because discourse is never hermetically sealed from other discourses – its identity is based on relations to other discourses – there always exists a possibility of exchange and communication between them (Howarth, 2005: 165, cf. Laclau, 1993). This also means that discourse and the meaning of an idea can change when its components – or its relation to other ideas – change. As political theorist Michael Freeden (1996) notes:

“Ideologies constitute semantic fields in that each component interacts with all the others and is changed when any one of the other components alters” (p. 67)<sup>4</sup>. The important point here is

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<sup>4</sup> Freeden’s (1996) theory is about ideologies, whereas this paper develops a theory of ideas. Ideas and ideologies are not necessarily the same thing, but it is the argument of this paper that some of the arguments Freeden uses in his

that the assertion that ideas are not fixed, opens up for a dynamic and diachronically sensitive analysis of the development of ideas, and a conception that does not treat ideas as coherent and stable entities.

From the short review of Saussure and Laclau and Mouffe's relational approach to words and discourse, emerges an alternative to the mainstream conception of ideas in ideational research. First, ideas do not have a core. Instead their meaning is generated from the elements of meaning that it contains. This points to a micro-structure of ideas that the mainstream perspective overlooks. Second, we have pointed out a general dynamic of ideas: that they endure through their invulnerability to unilateral change – they are intersubjective social facts that political actors are forced to relate to in one way or the other to act forcefully in social interaction. At the same, though, time the meaning of an idea is never fully totalised. Even when a discourse or idea becomes dominating, it is never completely shielded from challenge. Ideas endure and change through the same general dynamic: they are continually re-created through everyday social practice.

### **3.4 Internal/external generator of meaning**

We have now established that the meaning of an idea is generated from the relations between its elements of meaning. Beyond this we need a clearer specification of the relational dynamics through which the meaning of an idea is created, sustained and developed. The thesis argues that there exist two general dynamics, namely an *internal* and *external* determinant of the meaning of an idea.

Starting with the *internal* determinant, we may ask if all the elements are equally important in the idea. It seems reasonable to suggest that some elements are more important to an idea than others. However, the analytical challenge is to argue that some elements are

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theoretical framework also applies to the study of this thesis.

more important, while avoiding to argue that ideas have a core of meaning. Put differently: how can we argue that some elements are structuring for other elements of meaning without developing a notion of ideas as structured by a core?

In an effort to invoke a degree of structure in ideational elements, and at the same time avoid constructing ideas with a core, Freedon (1996) argues that ideologies contain both ineliminable elements that cannot be dispensed with without losing crucial meaning (for example non-constraint in liberalism), and more marginal elements<sup>5</sup>. These latter marginal elements, however, “add vital gloss to its [the ideology’s] core concepts” (p. 78) and an ideology – as well as an idea – need these marginal elements to gain the amount of complexity necessary to create meaning for individuals to support their actions.

In this way Freedon prompts us to assign different degrees of importance to the different elements in an idea. To emphasise this relational nature of an idea we can picture a *dominant set* of elements of meaning within an idea that less important elements of meaning are attached to. The dominance of the elements rests on their ability to structure a larger complex of elements, that is, the less important elements of meaning. An idea can thus change meaning either when one element of meaning within the dominant set is replaced with another element or when new ideas are attached to the dominant set of elements.

The dominant set will develop over time. That is, elements inhabiting a peripheral position in the idea may over time gravitate to a more central position, or vice versa. Freedon (1996) provides the example of natural rights that gravitated from a core to a marginal position in liberalism, and violence that gravitated from a marginal to a core position in the development of fascism (p. 78).

The meaning of an idea is generated *externally* in two ways. First, ideas gain meaning

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<sup>5</sup> The ineliminable elements are not cores, though. They are not intrinsic or logically necessary to the meaning of the idea. The features are ineliminable “in the sense that all known usages of the concept employ it, so that its absence would deprive the concept of intelligibility and communicability” (p. 62) and “to eliminate it means to fly against all known usages of the concept (though it does not rule out its removal in the future)” (Freedon, 1996: 63).

from their relation to other ideas. An idea is never presented in and of itself. To gain substance and meaningfulness it must be related to other ideas. Imagine for example a reform proposal on activation in employment policy. The most important part of such a proposal could be the idea of individualisation: that each unemployed should be helped in a way that fits his or her needs and abilities. But this idea can mean different things depending on which other ideas it is related to. If we consider two overall frames on individualisation – a typical bourgeois and Social Democratic – we see the importance of how ideas are connected. A Social Democratic perspective – á la New Labour under Tony Blair – would relate the idea of individualisation with a focus on both motivation/incentives and upgrading of skills if needed. A bourgeois government would typically – but by no means necessarily – focus their effort on creating incentives and motivation for the unemployed. The proposal would also need financing and probably thoughts on organisation, which would necessitates further ideas (cf. Carstensen, 2010b). In other words, to have substance and real meaning beyond cliché, ideas need to be related to other ideas. These other ideas are important external determinants of meaning.

The second external determinant of meaning is the general discursive field of the polity. There exists a whole complex of historically entrenched ideas, which could be called ‘culture’ (Campbell, 2004). This overall ideational frame sets limits on which ideas can be presented in the polity without departing from accepted mainstream and thus loose credibility (Cox, 2001). This means that to have any possibility of gaining acceptance, an idea must be framed within this overall national or policy-specific discourse. In this way ideas are historically embedded (Parsons, 2003; Schmidt, 2008a) and the meaning of an idea is generated from its relation to the general discursive framework of the polity.

Thus, the theory spans at least three levels, namely, first, the network of elements of meaning within the idea, second, at a ‘higher’ level, the relation between different ideas, and third the idea’s relation to the general discursive framework of the polity or policy field. This

perspective has the strength, then, that multiple levels of an idea and the relation between ideas can be studied simultaneously. This also serves to underscore how the ideational dynamics analysed above applies to both lower and higher level ideational units.

### **3.5 Ideas as a resource and restraint for actors**

The last question that will be dealt with, before we turn to the discussion of how ideas change, is how the theory envisions political actors. It should be noted from the outset that the theory operates with strategic, interest oriented and a-rational actors. A-rational means "that there is no clear rational course of action in the absence of interpretative filters" (Parsons, 2007: 98n). Actors are motivated by ideological and power-seeking interests, but that they are seldom perfectly aware what their interests are or how to maximize them. Thus, actors use ideas as heuristics: to identify what their interest is on a particular subject; to create the content of their policies (Beland, 2009); and to legitimize these policies.

One of the reasons why actors are a-rational is that they act within systems of great complexity and a rather large degree of uncertainty (Blyth, 2002, 2009; cf. Simon, 1985; Lindblom, 1959; March and Olsen, 1989), which makes it necessary to use ideas as heuristics for action. As Jabko (2006) puts it, actors:

"constantly have to make choices in the present while knowing that these choices will have unpredictable and contentious consequences beyond the short term. Actors formulate and pursue broad visions of what they want to achieve. These visions provide them with a sense of direction, but they rarely spell out rigid ideological or material goals. By necessity, actors often have to embark on a course of action without being sure where it will lead them" (p. 26).



But actors are not institutional and ideational 'dopes' unable to reflectively use the resources at hand to try to gain political power and influence. Instead, actors are, at least to some degree, able to reflectively and critically evaluate the system they are part of, and the role they play within it (Schmidt, 2008a).

We are, in other words, witnessing a tightrope walk between accepting that actors on the one side act with intentionality and on the other side are dependent on existing ideas to act purposefully. A theoretical construct of an actor that comes in handy at this point in the argument is the 'bricoleur'. In the previous chapter, the literature on policy translation – that implicitly or explicitly employs the picture of the bricoleur to construct an actor-type – was shortly reviewed. Now we return to the 'bricoleur' to help create a vision of the political actors that uses ideas.

As already mentioned in chapter two, the understanding of ideas that the policy translation-literature works with is significantly different from the mainstream perspective on ideas as stable, coherent and structured by a core. The policy translation tradition starts from a critique of the perspective of the mainstream policy transfer literature for depicting the process of transferring policy as a too mechanistic (and sometimes too rationalistic) perspective on how policy travels. In the traditional perspective, policy and knowledge tends to be seen as fixed entities that are moved from one context to another. Policy translation theories on the other hand put less emphasis on the sender and more on the receiver - how the receiver comprehends and adapts the policy. In a critique of the conception of institutional change through third order change proffered by Hall (1993), Campbell (1997) thus argues that institutional change may very well happen in a more evolutionary way. Agents act like 'bricoleurs' using the existing repertoire of symbols, conventions, models, etc. to reinterpret the institutional setting, which leads to evolutionary change.

The word 'bricoleur' derives from French and is difficult to translate to English without losing significant meaning, but can be understood as a kind of professional do-it-yourself man or an 'odd job man'. One of the first scholars to use the analytical heuristic of the 'bricoleur' was the anthropologist Claude Levi-Strauss (1996 [1962]). According to Levi-Strauss the 'bricoleur' is "someone who works with his hands and uses devious means compared to those of a craftsman" (p. 16-17). When the 'bricoleur' tries to solve a problem, the tools and materials he uses are not defined by the problem at hand, but instead picked from the existing repertoire of instruments. This naturally makes the process conservative, since

"The elements which the bricoleur collects and uses are prestrained like the constitutive units of myth, the possible combinations of which are restricted by the fact that they are drawn from the language where they already possess a sense which sets a limit on their freedom of manoeuvre" (Levi-Strauss, 1996 [1962]: 19).

Campbell (2004) has further developed the ideal-type of the 'bricoleur' to explain why processes of path dependence often dominate institutional change. When trying to change or altogether reconfigure institutions, actors' choices are to a large degree fixed by the set of existing institutional principles and practices and so "the new institutions that actors build resemble the old ones by virtue of their containing many elements from the past" (Campbell, 2004: 70). Following this, Freeman (2007) argues that political "...learning consists in 'piecing together' what they [actors] know from different sources in different ways" (p. 485). Freeman (2007) also uses the image of the bricoleur, who acquires and assembles tools and materials as he goes:

”Each [tool] is shaped in part by its previous application but remains inevitably underdetermined, imperfectly understood, open to manipulation for whatever purpose is at hand” (Freeman, 2007: 486).

With the conceptualisation of actors as ‘bricoleurs’ it is possible to understand how ideas both enable and constrain change. On the one hand, the ideational setting provides a tool kit that can be recombined in a creative way to provide new solutions. On the other hand actors are more or less forced to use ideas that resonate with the dominant policy tradition. New ideas are transferred into the existing set of institutions, structures and not least mindsets, and thus they must be tailored to blend with existing institutions and ideas. This is why new ideas rarely lead to revolutionary change, at least in the short run (Campbell, 2004).

In this perspective ideas not only function as a necessary heuristic to act within a political system. They are also resources and weapons inside political struggles. Actors can try to combine and re-combine ideas, so they fit to their vision of the world. Otherwise dormant ideas can in this process return to prominence. By using the ideas at hand, and at the same time possibly trying to introduce new ideas into the existing set of ideas, actors will try to create 'new' ideas that can attract other actors and thus make the idea generally accepted. According to Laclau (1993) it is indeed the aim of all politics to partially fix the relation between signifier and signified and in this way dominate and structure the identity of actors (cf. Howarth, 2005: 149). Or, in the words of Laclau and Mouffe (1985), try to create ‘hegemony’. According to Freedon (1996) it is exactly hegemony (or as he calls it, ‘decontestation’) that ideologies strive to create:

“They [ideologies, A.N.] aim at cementing the word-concept relationship. By determining the meaning of a concept they can then attach a single meaning to a

political term. Ultimately, ideologies are configurations of *decontested* meanings of political concepts” (p. 76, italics in original).

It is a central point for both Freedman (1996) and Laclau and Mouffe (1985) that this closure of ideas is never fully possible, but it is exactly what actors try to accomplish, when they struggle to establish the dominant vision of the world.

### 3.6 The politics of incremental ideational and institutional change

#### *3.6.1 Ideas and institutional change*

To understand more fully how actors use ideas in a strategic way to get what they want politically, we need a clearer perception of the relation between policy making and the ideas actors use to promote these policies. We may ask: how are ideas useful to actors in policy making? Luckily, the theoretical perspective of this thesis fits well with recent efforts inside historical institutionalism to analyse incremental transformative change. Traditionally historical institutionalism has predominantly proved its strength in explaining stability and continuity, but scholars have been much less active in explaining how institutions change. When they do seek to account for change, the theories most often invoke a variant of critical juncture or punctuated equilibrium, which leads to a change of policy path and then finally stability once again. The obvious theoretical weakness of such an approach is that the explanation of change is exogenous to the theory. To bring matters to a head: punctuated equilibria and critical junctures are a *deus ex machina* of the traditional historical institutional approach to politics (Thelen, 1999; Blyth, 1997; Schmidt, 2008b).

One line of research that seems particularly promising, is the one presented in Kathleen Thelen and Wolfgang Streeck's edited volume, *Beyond Continuity* (2005). What is

especially interesting about the work of Streeck and Thelen (2005) and their contributors (especially Crouch and Keune, 2005; Jackson, 2005; Quack and Djelic, 2005; Deeg, 2005) is that though they do not engage directly with the political role of ideas or employs the vision of the actor as a 'bricoleur', their approach is epistemologically and ontologically open to an ideational perspective. This stems not least from their focus on the uncertain environments political actors work in and the ensuing emphasis on processes of policy interpretation. Most interesting is their conception of actors that through creative reinterpretations of institutions circumvent existing institutions to gradually change their character without critical junctures or policy punctuations. Moreover, Streeck and Thelen present a number of mechanisms of incremental transformative change that can inspire this thesis' theory of incremental ideational change.

### *3.6.2 The politics of incremental institutional change: Introducing Streeck and Thelen*

The analytical starting point of Streeck and Thelen's approach is to point out, how there does not exist a one-to-one relationship between formal institutions and rules and the practical enactment of them. They thus distinguish analytically between rules and their implementation. It is the gap between rule and enactment that opens up for opportunities for strategic actors and thus incremental and transformative endogenous change (p. 13). This gap exists because "enactment of a social rule is never perfect" (p. 14) – there always exists a gap between the ideal and the real pattern of a rule.

Streeck and Thelen's emphasis on the gap between rule and enactment is based on the insight that rules are never self-evident but always subject to interpretation: "applying a general rule to a specific situation is a creative act that must take into account, not just the rule itself, but also the unique circumstances to which it is to be applied" ( Streeck and Thelen, 2005: 14). In the face of uncertainty rule takers work creatively to fit the rules to existing and

future circumstances. As Jackson (2005) points out:

"The social boundaries and interpretations of what an institution demands or allows may remain ambiguous. Ambiguity leads actors to continually reinterpret institutional opportunities and constraints, as well as adapt and modify institutional rules" (p. 230).

Actors thus revise rules in the process of implementation, making use of their inherent openness and under-definition. Streeck and Thelen (2005) sum up by arguing for a "grounded, 'realistic' concept of social institutions" emphasizing that institutions are

"continuously created and recreated by a great number of actors with divergent interests, varying normative commitments, different powers and limited cognition. This process no actor fully controls; its outcomes are far from being standardized across different sites of enactment; and its results are contingent, often unpredictable and may be fully understood only with hindsight" (Streeck and Thelen, 2005: 16)

This approach emphasises how the heterogeneity of institutions provides resources for actors to creatively challenge and contest the workings of the institutional system (Crouch and Keune, 2005). The approach stresses how actors creatively use existing routines, models and organisations to continuously form a new institutional setting. This understanding of the practice of political actors has close affinity to the vision of the 'bricoleur' who uses devious tools in new ways to create solutions to practical problems.

It is somewhat surprising that Streeck and Thelen (2005) seems uninterested in the question of what drives these necessary interpretations of rules. Actors need to interpret and

reinterpret, but what are the basis for these creative acts to circumvent the institutional setting? An obvious answer would be that actors' interpretations originates in the ideas they hold. The process of interpretation through ideas can be viewed from multiple angles, e.g. from a functional perspective as problem solving, a process of identifying one's interests, or strategically as a means to realise actors' interests. This means that when new political circumstances arise – be they change in the environment, change in the political system, etc. – and actors see a need to change an institution to fit these new circumstances – or circumstances expected to arise – the ideas that form the basis for the institution also needs changing.

We see, then, how a theory that takes ambiguity and the under-definition of both institutions and ideas as its starting point, leads to a significantly different conception of change than the one normally presented in ideational and historical institutionalist research. In this alternative perspective, the gap between rule and enactment opens up for opportunities for strategic actors to present their idea and fasten it to the existing ideational setting to affect the institutional setup. Both institutions and ideas change incrementally in the everyday enactment of them, which opens for incremental transformative change in times of general stability. We also see from the above discussion how an understanding of actors as strategic and power-seeking does not clash with a conception of ideas and institutions as essentially underdetermined.

### *3.6.3 Three mechanisms of incremental ideational change*

The above discussion has provided grounds for stating what constitutes incremental and none-incremental change. We can say that for an idea to change dramatically – like a paradigmatic change – we need to see a replacement of the dominant set of elements of meaning. Conversely, as long as the dominant set of ideas is in place, but changes in part of the

dominant set occur, we are dealing with incremental change. This also makes it possible to identify three general mechanisms of incremental ideational change.

The two first mechanisms relate to the internal generator of meaning, that is, the elements of meaning inside the idea and the dominant set of elements. The last mechanism is related to the external generator of meaning: an idea's relation to other ideas. It is worth noting that in practice these mechanisms usually overlap, but for the sake of clarity they are distinguished in the following.

First, ideas may change incrementally when new elements are fastened to the idea, possibly in the process pushing out other elements of meaning. This changes the meaning of the idea, because new elements of meaning are added. If we imagine an idea made up by the relation between three ideas, this kind of development occurs when one or two of these elements are substituted with a new element. The flexibility of both institutions and ideas thus makes it possible to add new elements to their structure. Thus, a substitution of one of the elements with a new element leads to a change in the meaning of the idea. The change is incremental, because though the idea changes meaning, the meaning still in large part hinges on the ideas that were part of the original network.

Over time the new element of meaning might move from the periphery to the centre of the idea adding to or replacing the elements of meaning in the dominant set. This is the second mechanism of incremental ideational change. An element can also be added directly to the dominant set, if the actor is powerful enough. This would make the change significant, but since the whole of the dominant set is not replaced, the change remains incremental, yet transformative. This would typically happen when a new government comes to power: it has the power to affect an idea, but it most often still builds on ideas from the previous government.

An idea might also change meaning by being joined with other ideas. This is the third



mechanism of incremental ideational change. As argued above the the external generator of the meaning of an idea is its relation to other ideas. This means that an idea can change meaning incrementally by being related to a new idea. The change is not dramatic because the idea still has its structure, but it is significant because the change affects the meaning of all the ideas in the policy. It might also lead to a 'conversion' (Streeck and Thelen, 2005) of the idea. In this process the idea is directed at new purposes that fit other actors' interests than the ones it was first designed to serve. This process most often also entails the introduction of a new element of meaning into the idea. An example could be the introduction of private actors into the provision of activation in employment policy. Measures that were originally Social Democratic - individualisation of activation, further employment, etc. – is now redirected by a bourgeois government to support private actors and to push unions out of a previously tightly regulated 'market' (Carstensen and Pedersen, 2008).

### **3.7 Method, case and operationalisation**

This thesis aims to investigate how and to what degree the ideas that drove Danish economic policy changed between 1980 and 1994. Within this alternative theoretical perspective it is hard to imagine, first, that Keynesian policies should have been abandoned altogether, not least taking into consideration how long they had been around. Second, it is also questionable if the economic paradigms Hall (1993) analyses are so coherent and well-defined as he claims. It is, however, not the aim of this chapter re-analyse the British case. Instead, the chapters signal claim is that the ideas that have structured Danish economic policy have developed incrementally without ever leaving Keynesianism behind<sup>6</sup>.

It should be noted from the outset that the primary interest of this thesis is not to

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<sup>6</sup> At least not before 1994, which is the last year in the period under study here. However, not much in recent Danish economic policy suggests that politicians have left Keynesian policies and instruments behind after 1994 (Goul Andersen, 2009).

determine *if* ideas mattered. Obviously we will also spend some energy determining whether it was ideas or more rudimentary considerations, e.g. electoral consideration, that at different points in time informed the actions of the political actors. From the perspective of this thesis, however, it does not make sense to try to separate interests, normally understood, from ideas – it is more interesting to consider how the two are intertwined and mediate each other (cf. Carstensen, 2010a; Campbell, 2008). Thus, the primary task is not to prove that ideas mattered. Rather, the thesis starts from the assumption that *ideas do matter*, an assumption that is substantiated by the numerous studies that have shown this to be the case in economic policy (to mention a few, Hall, 1993; Blyth, 2002; Schmidt, 2002; Seabrooke, 2007; Skocpol and Weir, 1985; Steinmo, 2003, 2008; Abdelal et al., forthcoming).

### 3.7.1 How can we identify an idea?

How can we identify the ideas in Danish economic policy? And from a more specific perspective: how does the theoretical arguments presented in the previous chapters translate into an empirical analysis? It is an ontological assumption in the thesis that our perception of the world forms the basis for our actions, which makes it important to analyse how actors interpret the system they are part of and their own position within it. We are thus interested in the beliefs about economy that centrally placed political actors hold. Moreover, the thesis employs an explicit political perspective on ideas. That is, the thesis shows great interest in how ideas are used in political struggles. In the empirical analysis, the thesis thus views ideas as means to make sense of the world and to politically affect other actors' perception of the world.

As already mentioned in the above theoretical discussion, it is not the private minds of individual we are studying in ideational analyses. Rather, what we are looking for, are intersubjective facts, that is, ideas actors cannot defy without confrontation or controversy. At

the same time we only show interest in certain actors' ideas. In this context, we deal with political actors that have the power and influence to present ideas that through different means come to be intersubjective facts. That is, we are interested in powerful actors in Danish economic policy: political parties with seat and influence in the parliament, economic experts, interest organisations, and public officials that through time has influenced the government's economic policy. Another central argument in the theory presented in the previous chapter was that ideas are relationally constituted. The empirical analysis will thus also focus on how the economic ideas are related and to what degree actors combine them in creative ways.

### 3.7.2 *What is economic policy?*

Another important delimiting question in the empirical analysis is: What is economic policy in this thesis' perspective? The first part of the question deals with a delimitation of economic policy: what kind of policies does the empirical analysis consider? To make the analysis fit within the confines of a total of a masters thesis, some more marginal policy areas have been cut out, e.g. industrial policy and environmental policy. Instead the analysis deals with fiscal policy, income policy, currency policy, tax policy and labour market policy. The policy areas are not systematically compared to coax out differences and similarities. Instead the policy areas are analysed historically to determine how the *general* understanding of problems and solutions has changed in Danish economic policy. Our interest is centred on actors' perception of the economy, more than the economy itself. Naturally we have to understand how the economy developed to understand how perceptions of the economy developed, but our primary interest is in the beliefs of actors.

The second part of the question is, what we look for, when we look for economic ideas. What kinds of ideas are we interested in in this thesis? It is important to note, however, that we are not looking for economic theory as such. As Hall (1989) also points out, not all of

Keynes' theories, for example, had equal policy influence. Some were naturally more important than others, and so we focus our interest on the most central of these theories and ideas. We are interested in the ideas actors use to make sense of *economic* questions, that is, the sets of ideas that inform the actions of political agents in the economic realm. Or as Marcussen (1998) puts it, we are studying “what elites think they know about how the macro-economy works in practice” (p. 11).

Of course economic theory matters in this regard. Most agents who deal with political economy has at some time received schooling in economic theory. But what we are interested in identifying, are the ideas that structure practical politics, and naturally these ideas are never drawn straight from text books. More often, probably, they are used and created while ignoring text books. One example is Keynes' ideas that have been interpreted to an extent that Keynes himself, had he been alive to witness these interpretation, probably would oppose (Olesen and Pedersen, 2004: 224). But the foundations of the economic theories – their assumptions about human behaviour, the cause-effect understandings, etc. – forms the basis for the policy, so that is our primary empirical interest in the study.

### *3.7.3 Analysing ideas as social facts*

If we are looking for the ideas that structure the actions of political agents in the economic realm, we need to study the beliefs that policies are build on. These beliefs are deducible from the officials documents coming out of the political system – from both ministries and parties – as well as from the general media coverage. Of course there only rarely, if ever, exists a one-to-one relationship between the discourse found in these avenues and the beliefs that political agents hold. Most often the documents that are analysed are compromises between multiple actors, and it can be hard to disentangle what is the 'real' motivation behind the policy. There are two answers to this problem: First, actions are analysed from multiple angles, and the

motivations that we plausibly can argue the actor might have, is tested against the circumstances surrounding the policy. If there is an election coming up, for example, this would naturally make us look for actors trying to make themselves electorally popular. Moreover, the empirical material collected in other studies are helpful in determining which other beliefs drove the actions of the agents under scrutiny.

Second, it should be noted that discourse and ideas matter though they are not direct representations of the beliefs of actors. When ideas are out there, they become social facts. It will vary just how much influence they have, but once made public in discourse, they become part of an intersubjective realm, where other actors can hold them up on their words. Thus, it makes sense to study discourses and ideas, even though they are never unproblematic evidence, and we have to use other kinds of empirical data to determine the motivations that lie behind.

Following the necessary scepticism towards the discourse of politicians: Beyond the discursive products of the political system, an ideational analysis must also take the actions of politicians into consideration. One can of course not deduce agents' ideas from their actions – this would easily make the argument tautologic arguing that agents act because of ideas, and we can identify their ideas from their actions – but the actions of agents are indispensable, when we want to evaluate, which ideas could have informed the actions. Imagine, as an example, that a bourgeois government decides on a large tax cut. It argues that it wants to boost the economy to fight unemployment. In reality this fictitious government provides the very richest in society with almost all of the cut. Here we see inconsistency between the Keynesian argument to boost the economy through a tax cut and the actual practice of the politician. This would make us suspicious that the government is actually focused on looking after the interests of its core constituency, rather than trying to alleviate unemployment. In this way the actions of political agents are necessary to understand the ideas that structure

these actions. However, and this is important, it is still worth noting that the bourgeois government felt the need to legitimise its policy – which was really aimed at gaining electoral momentum – with the cloaks of a traditionally Social Democratic argument. This would tell us something about the status of the Social Democratic ideas, how actors are able to use ideas as part of the political struggle, and how ideas are not so tightly defined that they cannot fit different interest given a certain degree of discursive creativity.

#### *3.7.4 Using 'thick description' as a method*

Conducting the empirical analysis, we obviously have to be picky about the choice of data to analyse the relatively large period of time – 1980-1994 – within around 80 pages. It is thus not possible to conduct intense discourse analysis of all relevant document in this period. Instead, relevant documents from the most important transformative periods have been chosen for deeper analysis, and beyond this, historical analysis is employed to follow the development of the different economic policy areas. Which approach, then, is useful to capture both the ideas and actions of politicians? One important and popular approach to the study of ideas in politics, that fits the ambitions of this thesis, is 'process-tracing' (Hall, 1993; Albrekt Larsen and Andersen, 2009b). In this approach the causal links are sought identified through a 'thick description' of how the ideas were used, who used them, how the ideas developed, how they were translated into concrete policies, etc. 'Thick description' may be defined as

“A description or characterization of the meaning of human behavior from the standpoint of the individuals whose behavior is being observed...The term is often used interchangeably with interpretation and *Verstehen*” (Brady and Collier, 2004: 309, italics in original)

Considering that our prime interest is in how agents have interpreted their situation – and how these interpretations have changed through time – it is natural to focus on the beliefs and motivations that actors hold. In this regard 'thick description' is an obvious choice of analytical approach. The thesis thus employs a historical-interpretive approach to the question, in that it will spend considerable space describing the context for the ideas and seek to determine which factors and human interpretations affected their development.

### *3.7.5 Why is Danish economic policy a good case?*

The primary reason for choosing Danish economic policy as a case is that it makes the comparison with Hall's (1993) model of paradigmatic change easier. The aim of the thesis is not as such to refute Hall's theory of paradigm change – rather, the aim is to develop and demonstrate the usefulness of an incremental approach to ideational change. However, the thesis argues that Hall's (1993) understanding of ideas is broadly used and accepted in ideational studies, so as such the thesis takes charge with what is considered a general trait of ideational research. Still, it has a primary focus on the work of Hall (1993) – both because of its seminal status, and because it has inspired many of the other theories that this thesis criticizes.

Another reason why economic policy is a suitable case, is that Hall argues that his theory about paradigmatic policy change might not apply to other policy fields. This is because, according to Hall “not all fields of policy will possess policy paradigms as elaborate and forceful as the ones associated with macroeconomic policymaking” (p. 289). Though Hall (1993) adds that more and more policy areas seem structured by policy paradigms, the above caveat is potentially important in Hall's work. Basically he opens for the argument that policy paradigms are only found in economic policy. One can discuss whether that is the case, but that is exactly what I want to avoid: by picking economic policy as a case, a possible rejection

of Hall's model of policy paradigm would be even stronger.

Moreover, Hall's (1993) argument that policy paradigms are more prevalent inside economic policy than most other policy areas, can also serve as an argument to use the case to try to show the opposite. If indeed ideas function as most mainstream theory argues, we would expect economic policy to be dominated by coherent and stable ideas that change through ruptures and primarily in times of crisis. Thus, with the specialised knowledge used inside this policy area and the strong role for economic theory, economic policy is a 'critical case' for an incremental theory of ideational change.

### **3.8 Identifying economic ideas: what do neoclassic and Keynesian ideas look like?**

To identify the different economic ideas in Danish economic policy, we will construct two ideal types of economic ideas: Keynesian and neoclassic. By identifying these general sets of ideas, we will be able to identify their concrete manifestation in Danish economic policy by constructing two ideal types, it makes it possible in the following empirical analysis to identify their concrete manifestations. It should be noted that the use of the two labels 'Keynesian ideas' and 'Neoclassic ideas' does not imply consensus within these theoretical schools in economics. Instead, the labels are used as just this, labels, that also function as a linguistic simplification.

#### *3.8.1 Keynesian ideas*

The version of Keynesianism that one country employs will be different from other countries due to differences in political history, culture and institutional setup. But there are some general characteristics of Keynesianism, which flows from John Maynard Keynes' (1936) economic theory. In his introduction to an edited volume on the influence of Keynesian ideas on the economies of developed countries, Hall (1989) provides a relatively concise



formulation of the Keynesian approach to economic policy as a “readiness to intervene in the economy in line with the principles of countercyclical demand management” (p. 7). This follows from his two-stringed focus on Keynes' theories.

First, Keynes' rejection of the neoclassical argument that markets fundamentally are stable and will tend to move the economy toward equilibrium. This might be the case in the long run, but in the shorter run the economy is, according to Keynes, fundamentally unstable and prone for prolonged stagnation with unnecessary low levels of unemployment as a result. There thus exists a fundamentally different conception of the economy in Keynes' work compared to neoclassic theory: in Keynes' perspective neoclassic theory works with a wishful and unrealistic understanding of the economy, whereas he himself works from a realistic starting point (Olesen and Pedersen, 2004). This has an important political implication, in that Keynes argues that some form of government action may be necessary to soften the fluctuations of the private economy and support full employment. In this perspective the government is assigned a responsibility to regularly intervene in the economy (Hall, 1989: 6). It also means that unemployment is viewed from a demand-perspective. Rather than viewing unemployment as a result of an inflexible wage – that is, focusing on the supply-side – unemployment is understood as a matter of the declining demand for workers that follows from stagnating sales.

Second, Keynes also worked out influential arguments about which policy tools are useful to counter unemployment and stagnating growth. He rejected the neoclassical argument that a downward wage flexibility was the solution to unemployment. According to Keynes, lower wages might lead to lower costs for the firm, but it would not lead to higher sales (Asmussen, 2007: 18). A better solution was to raise the aggregate demand for goods, which the government to a large degree could control by increasing its own expenditures or lowering taxes. The increased public spending would lead to greater purchasing power for

consumers and trust in the future, and the result would be a higher consumption and investment level, in turn leading to growth and employment. Another strategy was to increase the income redistribution – because people with lower incomes have a greater tendency to consume – or to increase public investments (Asmussen, 2007: 18). Keynes also argued for deficit spending financed by public borrowing in times of recession, and budgetary surpluses to counter inflationary pressure when aggregate demand was likely to exceed supply (Hall, 1989: 7).

Taken together, these two arguments provides an intellectual background for the fundamental idea that the government should intervene in the economy in line with the principles of countercyclical demand management. Some general policy instruments flow from this perspective, e.g.:

- Fiscal and monetary policy can systematically be used to moderate fluctuations
- Rising public sector deficits are acceptable when used to finance programs designed to lower unemployment.
- The government can intervene in the short run using different forms of fine tuning.

The following empirical analysis will study, then, which more specific ideas in Danish economic policy have been coupled with this general set of ideas.

### *3.8.2 Neoclassic ideas*

Within the label of 'neoclassic ideas' we refer to both neoclassic and the newer monetarist economic theories. In this study the label 'neoclassic ideas' are used as a shorthand term for a set of ideas that argue for the strength of the market mechanism's motion towards equilibrium; that employs supply side economics; and that exhibits great scepticism towards

the possibility of an active economic policy.

One argument in neoclassic economics that is particularly important, is the strong belief in the market and its ability to move to general equilibrium, where prices are adjusted, so supply and demand are matched. As Olesen and Pedersen (2004) argue, general equilibrium theory is today neoclassic fundamentalism (p. 198). The adaptive force of the market mechanism is thus believed to be a great force in economics. The economy might not always rest in equilibrium, but normally disequilibrium will not be very great – employment will thus be close to full employment – and only occurs in the short term. The most pressing economic problem is within this perspective believed to be price stability, because a severe domestic price increase would put pressure on competitiveness. The economic policy should thus be arranged to take care of the potential for inflation.

The belief in the strength of the market came to play an important role in later monetarist work, which also led to a belief in the effectiveness of active economic policy. One prominent example would be the efficacy of monetary policy. The monetarists refuted Keynesian economic theory that argued that a general market clearing mechanism was no fact after all, which made it necessary to conduct a more active economic policy. However, by incorporating adaptive expectations into their economic model, the monetarists argued that a rising demand following an expansive monetary policy would lead agents to expect rising prices and inflation, which in turn would make the interest rate return to its original level. In this perspective monetary policy became an ineffective policy instrument in the long term (Olesen and Pedersen, 2004: 235). In other words, monetarists, and notably Milton Friedman (1968), refuted Keynes' argument about 'money illusion' that held that people reacted to their nominal wage rather than real wages, which made monetary policy very effective. Friedman (1968) argued that in time workers would see the real inflationary effect of their increasing income and then demand a higher wage.

Friedman also argued that an expansive economic policy would not have the effect of increasing growth and employment, as Keynes and followers had argued. Instead, firms would hire workers that were less productive, and the lower level of productivity of these workers would make the firm raise its prices. This would lower the real wage of workers, and workers would then demand higher wages – a process that in the end leads to increasing inflation that would eat up the effect of the expansive economic policy (Asmussen, 2007: 19). Later on the notion of rational expectations – developed by Robert Lucas – has radicalised the argument against active economic policy. The assumption of rational expectations leads to the clear policy prescription that a demand-regulating fiscal- or monetary policy has no effect, even in the short run. Or put differently and less rigid: the more agents are rational in their expectations, and the more prices are assumed to be flexible, the less real effect will come from an economic policy intervention (Olesen and Pedersen, 2004).

With the belief in the self-regulating nature of the market, the understanding of unemployment changes to a supply-side perspective. In the monetarist and neoclassic perspective unemployment is principally voluntary and a question of downward wage flexibility. When agents expect a higher real wage they will work more and if they expect a low real wage they will choose leisure over work. Unemployment thus no longer is a question of demand but rather a question of arranging the economy to create incentives to work (Olesen and Pedersen, 2004).

The neoclassic-monetarist theory has clear political implications (Olesen and Pedersen, 2004; cf Thygesen, 1981). First, fighting off inflation becomes the primary purpose of economic policy. Second, within these theories there is a great scepticism towards politicians, who are believed to be fundamentally irresponsible. A sound economic policy rarely entails popular political choices, so politicians – that, like all politicians, only focus on re-election, will be prone to conduct an unsound economic policy that in the short run satisfies the personal

interests of their voters. Economic policy should thus be conducted within a strategy that reaches way beyond the next election. Third, following the scepticism towards politicians, economic policy should be designed to enhance the influence of the market, because the market is the most effective economic force. The basic disagreement between Keynesianism and neoclassic-monetarist economics thus hinges on their very different understanding of the strength and effectiveness of market mechanisms, which has considerable effect on their respective conception of the role of economic policy.

To sum up we may identify the following dominant set of ideas within the neoclassic-monetarist understanding of economics:

- Agents have adaptive/rational expectations
- Rational expectations make active economic policy futile even in the short run
- Economic policy should focus on fighting inflation
- Economic policy should be designed for the very long run
- Supply-side oriented unemployment policy
- Wage flexibility desirable
- As much as possible should be left to the market

We will use these general ideas to identify their possible concrete manifestations in Danish economic policy in the following empirical analysis.

### *3.8.3 Short digression: Neoclassic economics or monetarism?*

Above we have referred interchangeably to neoclassic and monetarist ideas. However, the

thesis chooses to use the term neoclassic economic theory in the following empirical analysis. This choice rests on the aim to construct an ideal type of ideas that resonates with Danish economic history. Monetarism is primarily associated with neoliberal and conservative policies in Anglo-Saxon countries like USA and Great Britain. If we employ ideas that are relatively far apart from Scandinavian and Danish political culture it would put the mark for ideational change too high. Put differently, if we look for ideas that are very different from Danish political culture, it makes it too easy to disregard change. If, instead, we operationalise the ideas we are looking for less politically and with greater attention to the economic theory behind them, it makes the study less balanced in favour of incremental change.

Probably only few Danish economists or – indeed – politicians would accept a label as either Keynesian or Neoclassic, because they refuse to buy into the whole package. Most often political parties, governments and economists have their personal take on economic theory (or practice) that constitutes a composition of different theories – both economic, political and social – which, however, *predominantly* draws its conclusions from a certain theoretical perspective, be it Keynesianism or neoclassic economics. There is a theoretical and practical reason why this is not an obstacle to the labels of this study. To take the practical reason first, we need a label to categorise the different ideas, and this always entails a degree of simplification. As to the theoretical reason, we are constructing an ideal type of economic ideas, not an accurate description of economic thought, and an ideal type obviously needs simplification. It should also be noted that the study is not looking for clear and unambiguous Keynesian or neoclassic policy ideas, because we are aware that the nature of politics only very rarely, if ever, makes it possible to use clear-cut economic theory. We are thus primarily interested in how actors interpret different economic theories into certain sets of ideas.

### **3.9 Research question**

One could reasonably object that the two sets of ideas presented above are extremes that have been moderated through theoretical developments in economics the last twenty years or so. That might very well be true taking into consideration the respective development of neoclassic and neo-Keynesian economic theory that seem to conform on some important assumptions (Olesen and Pedersen, 2004: ch 12). However, it has never been the aim of this chapter to provide an accurate picture of the most important theories in economics. Instead, the aim has been to construct ideal types of the sets of ideas we are trying to analyse empirically.

To sum up, the next chapter asks:

*How did the ideas that structured Danish economic policy from 1980 to 1994 change, and do these changes constitute a paradigmatic change?*

If the answer is negative, how may we best conceptualise the changes? The chapter argues that though Danish economic policy making has not witnessed a paradigm change, the changes are still significant and best understood within a model of incremental ideational change.

Following the theoretical argument of the thesis, we would expect that no paradigmatic change has occurred and an incremental model would do better at explaining the changes that have occurred. How can we imagine this thesis being if not falsified, then at least wrong? In other words, what is the sphere of validity for the theory of incremental ideational change? It was argued in the previous chapter that a paradigmatic change entailed a change in the dominant set of elements of meaning. This resonated with Hall's (1993) understanding of paradigmatic change as the replacement of the ideas that structured the paradigm with new

and altogether different ideas. Conversely, as long as the dominant set of ideas are in place, but changes in part of the dominant set occur, we are dealing with incremental change. Another important question is the speed of the question. Should the replacement of ideas happen over the course of, say, ten years, it would be difficult to argue that this constitutes a rupture or punctuated equilibrium. However, if the replacement of dominant ideas occurs within a short period of time, say one year, this would support the argument that we are witnessing a paradigmatic change.



## **4. Incremental ideational change in Danish economic policy, 1980-94**

### **4.1 Introduction**

Following the research question of how the ideas the structured economic policy changed between 1980 and 1994, this chapter will study how different actors perceived the problems facing Danish economy and which solutions were thought to be viable. We will look for which policies were put into use, and try to trace out which ideas structured the policies. The greatest effort and space is focused around the periods of most profound ideational change, namely the end of the 1980s (1987-89) and the beginning of the 1990s (1993-94). The reason is that here we can most directly study the changes taking place and determine if they correspond to our model of incremental ideational change. Thus, through a historical-interpretative analysis of this relatively long period in Danish economic policy making, we will be able to follow the changes in the political actors' perception of problems and solutions, and study how these changes fit with the understanding of ideas and ideational change that the thesis has put forth.

As we will see from the following empirical analysis, Danish politicians did change their understanding of economics, but this process was gradual. Put briefly and in general terms, it is the argument of this chapter that though the twenty years that passed from the first oil crisis to the mid-nineties witnessed significant ideational change, it did not constitute a paradigm change in Hall's (1993) sense. Instead, politicians combined and re-combined traditional approaches to the economy with new ideas. This changed the approach to policy making, but it did not lead to a wholesale change of ideas. As the chapter will try to demonstrate through a 'thick description' and analysis of the period, these changes were rather incremental.

The analysis will proceed chronologically, trying to identify the ideas that have been used in Danish economic policy. The analysis focuses on the period of 1980-1994, because in this period new economic ideas were most clearly presented into policy making, but to provide a context for the introduction and interpretation of new ideas, we will in the next section shortly analyse the economic policy and economic ideas of the 1970s.

#### **4.2 Economic policy and ideas in the 1970s**

Put in general terms, the perspective that dominated thinking about economics was Keynesian: first, the economic shock brought on by the first energy crisis was perceived as a sharp fluctuation (Damsgård Hansen et al., 1996: 73), but it was believed that with the right stimulus the economy would return to normal growth levels. The governments position was – as expressed by civil servants in the Ministry of Economy in their account of Danish economy (Ministry of Economy, 1974) – to continue the current strategy: Keeping down prices and production costs, so the economy would gradually get back in shape again (p. 29).

Through the Keynesian lenses, the main political problems were perceived to be re-establishing full employment, soften fluctuations in the economy, enhancing the competitiveness of Danish firms, and stimulating the demand for labour. There were differences between Social Democratic and bourgeois governments, but they were due to different political interests and priorities rather than differences in economic ideas.

The economic policy during the bourgeois government was characterised by confusion. The Danish bourgeois government thus decided in the Spring of 1974 to tighten the fiscal policy through tax increases, spending cuts and a tightening of monetary policy with an increase in the long-term interest rate from 13 to 17 per cent as a consequence (Damsgård Hansen et al., 1996: 73), but this strategy was changed in the Fall, when the bourgeois

government decided on a relatively large unfinanced tax cut of seven billion DKR<sup>7</sup>. An important policy measure during the 1970s were thus the routine instrument of stimulating aggregate demand through expansive fiscal policy.

Following the election in 1975, where a Social Democratic government that prioritised a return to full employment took power, it was decided to follow the expected upturn through an expansive fiscal policy. However, though the government succeeded in creating employment and a growth of 6,1 per cent in 1976, the effect was short-lived and ended up creating the largest balance-of-payment deficit in recorded Danish history: 4,8 per cent of GDP (Damsgård Hansen et al., 1996: annex table 2).

When it was realised that the slow-down of the economy was not just a slump, politicians came to show great interest in different structural problems in the economy, primarily with a view to lower wages, improve Danish competitiveness, limiting import and fighting unemployment. First, the automatic price regulation of salaries had made the Danish economy more vulnerable to external price shocks, which were automatically followed by rising wage expenditures for the industry and other important sectors. A lower wage level was primarily sought through intervention in the collective agreements in 1975, 1977 and 1979. At first the government did not succeed in controlling wages, though: from 1970 to 1976 real wages rose around 20 per cent, to a large extent because of the aforementioned bourgeois tax cuts. However, from 1976 to 1982 wages did fall dramatically: disposable real income for ordinary workers fell by 12 per cent. (Hoffmeyer, 1993: 91, 117-19).

Second, currency policy also came to play an important role in Danish economic policy in the end of the 1970s. Though the Danish Krone was officially fixed, it was not revalued in the face of a depreciating British pound. Thus, the period saw twelve *de facto* devaluations

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<sup>7</sup> Originally the tax cuts were planned to be financed, but the financing was not agreed upon before the election of 1975. The Social Democrats was able to form government and with reference to the economic crisis they decided not to finance the tax cuts.

between October 1976 and January 1987 to support Danish competitiveness in foreign markets.

Third, following the goal of re-establishing full employment, the Social Democratic government sought to increase employment through an expansion of public services like child- and elderly care. Another Keynesian measure was put into use, when the Social Democrats tried to limit labour supply through the Early Retirement Allowance (Efterlønnen) that made it possible to retire earlier from the labour market. The measures only provided short term relief, though: unemployment dropped shortly in 1979, but then continued to rise with a peak of 10,4 per cent in 1983 (Damsgård Hansen, 1996: annex table 2).

When the second energy crisis struck in 1979, the government immediately focused its effort on trying to lower inflation, which had been relatively high – 10-12 per cent – from 1973 to 1982 (Damsgård Hansen et al., 1996: annex table 6). The main reason for the rise in inflation was the wage increases that followed from the automatic price regulation of wages ('dyrtidsportionerne') and generous interest deductions that generated high consumption and low savings. As part of the Social Democratic government's 'Overall Solution'-plan (Helhedsløsningen) of 1979 the release of a price regulation was set at higher increase levels than previously, and prices on energy were kept out of the calculation. This meant that wage increases did not follow from the second energy crisis.

In short, in the 1970s economic policy was dominated by Keynesian ideas. The governments used classic Keynesian measures such as short term fine tuning, stimulating aggregate demand and increasing employment through expansion of the public sector and reduction of labour supply (Goul Andersen, 2009). Even though politicians at a point realised that the downturn in the economy was a crisis rather than a fluctuation, the understanding of the economy was still based on the demand- rather than supply-side. There were differences between the policies of bourgeois and Social Democratic governments, but they were not due

to different ideas about the economy, but rather differences in emphasis, prioritisation and electoral motivations.

#### **4.3 Gradual bourgeois mobilisation in the beginning of the 1980s**

The economic ideas of Danish politics remained Keynesian in the beginning and middle of the 1980s. However, the common understanding of the economic situation changed around 1979. An atmosphere and discourse of crisis had been build, which was only strengthened when Knud Heinesen, who had resigned as Minister of Finance two days before, went on national TV and stated that the Danish economy was heading “towards the economic abyss”. He was supported by director of the National Bank, Erik Hoffmeyer, who argued in a newspaper chronicle that the Danish economy was loosing financial credibility internationally, which made it more and more difficult to borrow abroad. If drastic means were not put to use, the Danish economy would approach “the brink of an abyss and self-destruction” (Hoffmeyer, 1980). In other words, drastic policy responses were believed to be necessary to solve the economy from getting into even bigger problems.

Though a sense of crisis was gradually being established, the political parties – not surprisingly – saw the economic problems differently. Disagreement stood over questions like: is the balance-of-payments a greater political priority than unemployment? And should the economic policy be coordinated in a short- or medium term? Through the end of the 1970s and the start of the 1980s the position of the Social Democrats and bourgeois parties respectively became more polarised: the bourgeois parties wanted to cut budgets and strengthen the balance-of-payment at the expense of full employment, whereas the Social Democrats were reluctant to make cuts in what they regarded as their political masterpiece, the welfare state<sup>8</sup>. Thus, the Social Democratic government had tied itself its own hands and

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<sup>8</sup> It should be noted, though, that the dispute did not keep the the Social Democrats and the bourgeois party, Venstre, from forming government in the period of 1978-79.

feet: they were not willing to raise taxes, and the growing unemployment called for further public investments, which – from the perspective of the Social Democrats – made it impossible to do anything but letting the public deficit grow. As Prime Minister Anker Jørgensen noted in his diary: “Auken (Minister of Labour, A. N.) said it the best: The best thing to do is not to do anything!” (Jørgensen, 1990: 473). In his opening speech to the parliament in 1981 the Prime Minister said that the government

“shares the concern over the rising deficit on the state budget, but as it has also been emphasised in connection to the proposal for the Budget (Finansloven), it is still the position of the government that the only way to a bettering of state finances is through an increase in the activities of the society” (Quoted from Asmussen, 2007: 80).

The Social Democratic government was thus willing to conduct deficit spending financed by public borrowing. The bourgeois parties, saw things differently. The 1980s thus witnessed some bourgeois mobilisation. Part of the ideational artillery came from the ideas presented by the OECD. At that time the organisation had started to recommend spending cuts through a reduction of unemployment benefits and pensions. The argument was that high benefit levels put strain on long-run growth and employment prospects (OECD, 1982). OECD also argued that Danish policy makers should concentrate more on the supply-side and the middle-range economic perspective through structural changes of the economy, thus “avoiding the 'stop-go' pattern seen in the past” (OECD, 1977: 50).

A new set of ideas had begun to take hold in parts of the bourgeois camp, especially in the traditionally liberal party, Venstre. In 1980 a number of MPs from Venstre published the book 'The threatened prosperity' (Den truede velstand) (Brixtofte, 1980a). The contributors

argued for more user fees in the welfare state (Elleman-Jensen, 1980); cuts in benefits and tighter availability control for the recipients of unemployment benefits (Hjort Frederiksen, 1980); reduction in the growth of the public sector, e.g. through new budget systems (Fogh Rasmussen, 1980); and that the high tax level had perverse effects in that it reduced the revenue sources of the state (Brixtofte, 1980b). Though the new ideas were articulated in public debate, they did not yet alter the basic Keynesian approach to economic policy. This is evident in 1981, when Venstre together with the Conservatives presented a joint economic policy. The overall contours of their proposal were cuts in public spending and “stimulus” to the business community. With the overall aim of creating 140.000 jobs in the private sector and improving the balance-of-payment with 26 billion Kroner, the parties thus proposed tax reliefs, with special focus on making industrial policy less bureaucratic, and cuts in the public budget amounting to 14 billion DKR in 1982, rising to 22 billion DKR in 1985. Moreover, the plan also contained proposals for cuts in benefits (Simonsen, 1981a).

The Social Democratic government that followed after the election of 1981 experienced major difficulties getting their policy through the parliament: they could not reach agreement in any substantial matter regarding the economic policy with either their supporting parties or the two major bourgeois parties, Venstre and the Conservatives. In the end they gave up power to the bourgeois parties in 1982 without an election. The Social Democrats expected that the new bourgeois government would be short-lived because it had to lead an unpopular policy (Rasmussen and Rüdiger, 1990: 355; Goul Andersen, 2009; Kristiansen et al., 1992: 133), but the bourgeois government, led by the Conservative's Poul Schlüter, stayed in power for 10 years.

Though, the 'new' ideas of the bourgeois parties were most of all ideological mobilisation within the Keynesian set of ideas, some ideational changes did occur. First, for the first time in a long while the balance-of-payments had higher priority than employment,

which for the Social Democratic party was a very significant change. Second, the period 1979-82 was the first in modern times, where the economic policy was sought organized according to a multi-annual strategy (Damsgård Hansen et al., 1996: 137). This was very different from approach that had been used in the 1960s and some time into the 1970s, where time frame in economic policy had been very short. According to Damsgård Hansen et al. (1996) the economic imbalances of the 1970s and 1980s expanded the time horizon (p. 87). Thus, though the period saw ideational change, the Keynesian approach of countercyclical demand management still stood strong.

#### **4.4 New political ideas in the 1980s**

In 1982 the economy was in a bad shape: Unemployment had reached 9,8 per cent, inflation was 10,1 per cent, the long-term interest rates for homeowners were above 20 per cent, deficit on the public budget exceeded 10 per cent of GDP, and state debt had grown from almost zero in 1976 to nearly 60 per cent of GDP. Thus, the bourgeois government came into power with the declared aim of 'reconstructing the economy' (Goul Andersen, 2009). The bourgeois government was able to implement a reorganisation of the economic policy already when they took over power in 1982. The new economic policy consisted of three key points: First, the price regulated wage increases were suspended until 1985 (and in the end cancelled altogether) and the scope of salary increases for public employees was set at four per cent.

Second, it was a principle of the government, that the growth in public expenditures, which had been relatively high even in the period 1980-82, was kept at zero, and that all new spending should be accompanied by corresponding savings. Thus, the reduction of spending and the increase in revenue was supposed to enhance budgets with 15 billion Danish Kroner (Rasmussen and Rüdiger, 1990: 361). Though the government did not fully meet this goal, it was relatively successful in limiting public expenditures: from 1982 to 1992 the cumulative



growth in public consumption was as low as 6,3 per cent at fixed prices.<sup>9</sup> With its economic program, the bourgeois government was on par with the recommendations from the OECD, both because it cut benefits, but most importantly because it was willing to accept unemployment on the short term to solve other economic problems. Later in the period, however, transfers exploded. From 1986 to 1989 transfers increased by 20 per cent in real terms, mainly due to new programmes of universal child allowances, universal students' benefits and improved pensions, unemployment benefit and social assistance (Goul Andersen, 2009).

Third, the bourgeois government implemented a fixed exchange rate policy, which ruled out currency policy as a viable instrument in economic policy. The policy was a response to the expectation that the new government would devalue the Danish Krone, which put pressure on the currency reserve, and neither the National Bank nor the politicians believed devaluations to have any real effect, because the ensuing inflation would eat up the effect. (Hoffmeyer, 1993: 94-95). The fixed exchange rate policy was developed and repeatedly confirmed the following years, and has been permanent in Danish economic policy ever since. Thus, a wholly Keynesian idea – that a fixed exchange rate regime was most effective – returned to the centrally placed position it had had before the late 1970s.

The new line of economic policy taken by the bourgeois government<sup>10</sup> seemed to be successful: The interest rate went down, which led to a rise in investments<sup>11</sup>, loan-financed consumption and employment rates. Interestingly the contractive fiscal policy of the government<sup>12</sup> had expansionary effects, which was primarily due to increased borrowing that

9 Despite these contractionary measures, the Danish economy developed in an expansionary direction – through a growing loan financed private consumption and growing housing investments – which resulted in growing pressure on the balance-of-payments (Damsgård Hansen et al., 1996: 74).

10 The above mentioned policy proposal from the bourgeois government resembled the plan the Social Democratic government had put forward in the summer of 1982. The difference was that the bourgeois government issued larger spending cuts, and that the Social Democrats wanted to secure the lowest incomes, whereas the bourgeois government wanted to show favour to employed people to create incentives to work (Rasmussen and Rüdiger, 1990: 361).

11 Growing with 11 and 17 per cent in 1985 and 1986, respectively (Rasmussen and Rüdiger, 1990: 362)

12 Estimates of the macro effect in the 1980s shows that the economic policy was contractionary in 1980-84, then

followed the declining interest rate.

The first years of bourgeois government saw cuts in the active employment policy. For example, in 1982 the job-offer programme was thus cut from 1 billion Kroner to just over 300 million, and in 1986 the bourgeois government abolished the state-support to municipal programmes to fight youth employment. The cutbacks, however, were not issued all at once. Instead the programmes were slowly removed (Albrekt Larsen and Goul Andersen, 2003). It is important to emphasise that the parties more or less subscribed to the same understanding of unemployment as a matter of demand and sufficient economic growth. The primary difference between the left and right side was in their preferred measures to bring down unemployment. The Social Democratic governments wanted to stimulate domestic demand through expansive fiscal policy and a rearrangement from private to public consumption, whereas the bourgeois parties had a more market oriented strategy that focused on enhancing Danish competitiveness and creating growth in the private sector. To secure work for everyone, the demand for work should thus be strengthened by increasing exports rather than import. (Goul Andersen, 2003; Albrekt Larsen and Goul Andersen, 2009).

Though new ideas were introduced into the economic policy, the overall view of macro economic policy did not change . It was still believed that increasing demand for labour power was the path to eliminate mass unemployment, and thus get the economy back in shape. However, contrary to the Social Democrats, the bourgeois government believed that demand should be stimulated by exports rather than consumption. From this perspective “it was necessary to prioritize price stability and competitiveness over short-term efforts against unemployment” (Goul Andersen, 2009). Thus, though the government had rearranged the economic policy, it had not changed from Keynesianism to neoclassic economics, and they

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shortly expansionary until 1986, where it was once again contractionary. From the end of the 1980s the economic policy was slightly expansionary, but then gradually became neutral towards 1992 (Damsgård Hansen et al., 1996; Asmussen, 2007: 108).

were in general agreement with economic experts that a Keynesian approach was most useful. Rather, the government rearranged the economic policy to new economic circumstances, that from the perspective of the bourgeois parties called for spending cuts and a general tight fiscal policy.

It took a couple of years before the government accepted that the economy needed slowing down in the face of a too high consumption level that created a huge deficit on the balance-of-payments: 5,4 per cent of GDP (Asmussen, 2007: 104). The slowdown came with three interventions – one in 1985 ('Julepakken') and two in 1986 ('Påskepakken' and 'Kartoffelkursen' respectively). The fiscal tightening among other things consisted in credit restrictions on loans for home owners – a policy aimed at limiting the booming consumption by home owners, a tax reform (decided 1985, effective from January 1 1987) that reduced the tax value of interest deductions that had made it profitable to borrow rather than save, a tax on interests (renteafgift) and increasing taxes on oil, fuel, cigarettes, liquor and other consumption goods. The government went so far as to admit that the improvement of the balance-of-payment would come at the cost of somewhat rising unemployment. The overall economic policy was thus aimed at limiting consumption, creating incentives for saving and promoting the export of Danish businesses. Export was to be promoted by forcing firms to turn towards export markets by limiting private consumption. An important policy measure in this regard was the introduction of a labour market contribution for firms, which only applied to products and services sold in Denmark (called 'AMBI'). In this way firms oriented towards export were exempted from paying the tax, which created incentives to turn towards foreign markets (Goul Andersen, 2009; Damsgård Hansen et al., 1996: 75)<sup>13</sup>.

First off the above mentioned policies, together with falling house prices – helped limit private consumption, and the balance-of-payment developed in a positive direction, going into

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<sup>13</sup> In effect, it was a hidden increase of the value added tax (VAT), and as such it was later declared illegal by the European Court of Justice, only to be replaced by an open increase of the VAT.

plus around 1990. However, a tripartite agreement between the government and social partners in 1987 upset the government's applecart, because it led to a marked wage rise<sup>14</sup>. The agreement of 1987 was politically very important, because it was a 'focusing event' that effectively created space for new economic ideas. Neoclassic and supply-side oriented ideas were helpful in giving meaning to what had happened in 1987. In spite of an unemployment ratio as high as 8 per cent, hourly wages suddenly increased by some 10 per cent, which was explicable within the terms of the supply-side oriented idea of 'structural unemployment' that gained prominence in labour market policy in the following years (see below). The wage increases, together with a growing optimism about the economic future, threatened to make private consumption rise again and thus hurt the competitiveness of Danish firms on foreign markets. However, in December 1987 the government succeeded in getting the unions to accept wage restraint from 1989 and onwards.

To recap: The 1980s witnessed a number of significant changes in Danish economic policy. First, the bourgeois government limited the growth in public spending. The Social Democrats were also ready to cut spending but not as much as the bourgeois government. Second, with the fixed exchange rate policy confirmed repeatedly through the 1980s, currency policy was assigned a different, much less central position in economic policy, which was really a return to standard economic policy. Third, at the end of the decade the bourgeois government was able to conduct income policy more effectively, because it got the unions to accept wage restraint without price stops.

Despite these significant changes economic policy did not go through a paradigm change. As Goul Andersen (2009) argues:

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<sup>14</sup> Interestingly, the following years witnessed a boom in exports, which together with the contractive fiscal policy of the mid-1980s turned a 36 billion Danish Kroner deficit on the balance-of-payments in 1986 to a plus in 1990. Thus, apparently the rise in wages that followed from the tripartite agreement of 1987 did not hurt competitiveness (Albrekt Larsen and Goul Andersen, 2003).

“In the beginning, however, the new government basically acted within the same causal understanding of the economy as previous Social Democratic governments. Diagnoses were not very far apart, but solutions differed quite significantly. There were new instruments, and there were significant changes of priorities between goals.”

The bourgeois government, then, gradually shifted the weight of different elements of meaning in economic policy without changing the fundamental Keynesian ideational structure. Though the period does not represent a paradigm change, it still had important consequences because priorities were significantly shifted: from macro-oriented economic management with focus on employment to a strategy that focused on competitiveness and to a notable degree the market (Albrekt Larsen and Goul Andersen, 2003). Within the new approach the first goal was to obtain a balance of payment surplus whereas unemployment and deficits on the state budget had second priority. The change of focus to a fixed exchange rate policy and one-sided emphasis on enhancing competitiveness was at the time viewed as a fundamental shift in the economic strategy, but rather it was a displacement within the existing set of ideas: unemployment was still viewed as a matter of too low demand, and the government still believed that the problem of unemployment could be solved if the economic upturn continued for a sufficiently long period of time (Albrekt Larsen and Goul Andersen, 2003).

#### **4.5 Paradigm shift in the late 80s?**

The late 80s saw significant new ideas – inspired by neoclassic economics – introduced into political discourse. The ideas focused on labour market policy and tax policy. Neoclassic ideas were especially useful in arguing for so-called dynamic effects of tax cuts, which made it meaningful to implement both spending- and tax cuts. The government needed electoral momentum, and new economic ideas – as well as a committed new actor, Minister of Taxation

in 1987-92, Anders Fogh Rasmussen – was believed to be helpful to that purpose (Albrekt Larsen and Goul Andersen, 2004: 140). With the bourgeois government looking for momentum, and ideas that could legitimise tax cuts, the road into government policy was paved for new neoclassic ideas. However, the introduction of new ideas no way near amounted to a wholesale change of ideas in the beginning of the 1990s, the main reason being that it was not possible to reach agreement with the other parties in parliament. The government thus was not strong enough to implement an altogether change of ideas in Danish economic policy.

#### *4.5.1 From demand- to supply-side oriented employment policy*

As mentioned above the tripartite agreement between the government and social partners in 1987 was an important event in Danish labour market policy, because it put focus on an important new term, namely 'structural unemployment'. The main tenet of the idea of structural unemployment is that a significant part of unemployment is structural in the sense that it will not disappear through higher demand for labour. Instead of creating greater employment, the demand leads to rising wages, if the structural problems of the labour market are not solved. Among these were: high minimum wages compared to the qualifications of the weakest group; generous benefits and thus low incentives that induced limited job search among unemployed people; and not enough geographical or professional mobility in the labour force. According to the theory, these mechanisms has as a consequence that employers already at a high unemployment level, say 8-10 per cent, starts to compete for the labour power they need, in effect leading to considerable wage increases, even in times of rather high unemployment (Albrekt Larsen and Goul Andersen, 2009: 18). The standard definition of 'structural unemployment' was thus: "the rate of unemployment consistent with constant wage inflation (non-accelerating wage rate of unemployment (NAWRU)), or constant

price inflation (non-accelerating inflation rate of unemployment (NAIRU)), given current economic conditions” (OECD, 2009). In this way of thinking, the only way to get the level of unemployment below its 'natural' level is by making the labour market work more like a market (Goul Andersen, 2003).

The idea of structural unemployment builds on economic theory developed by different scholars within the monetarist and neoclassic school of thought. Milton Friedman (1968) for example developed the term 'natural unemployment' in the 1960s, and argued that it was possible that the natural unemployment would shift upwards if wages were not determined by the market. Among the new economic ideas that came to influence Danish labour market policy, we also find Lindbeck and Snower's (1988) insider/outsider-model, where 'insiders' despite significant levels of unemployment keep up a high wage levels that keeps out the unemployed, the 'outsiders'. The theory could explain why wages do not adjust to a market clearing level. The theory of 'hysteresis' by Blanchard and Summers (1986) that pointed out the loss of qualifications that followed from longer periods of unemployment, in effect creating a group of chronically unemployed, was also influential, because it could explain the insufficient productivity of the period.

One of the first places the new economic ideas of structural unemployment surfaced, was in the Economic Council's report in 1988 (The Economic Council, 1988). The starting point for the report was that to sustain the fixed exchange rate policy and a positive development in the balance-of-payments, it was necessary to maintain a tight management of the domestic demand, which meant that monetary- and fiscal policy was not viable instruments to achieve higher employment rates. Unemployment should thus be fought by solving the structural problems in the labour market (The Economic Council, 1988: 57). According to the Economic Council, income policy was not very effective in creating employment either, because of a lack of incentive to individual or collective wage restraint,

which had clearly been demonstrated by the exorbitant wage increases in the 1987. The Economic Council thus takes on the task of studying if it is possible to create better conditions for wage restraint and a more “market conform wage structure” through reforms that makes the economic consequences of marked wage increases more visible to the individual wage earner and employer (The Economic Council, 1988: 49).

The Council in particular draws on Lindbeck and Snower's (1986) theory of insider/outsider-dynamics. According to the Economic Council the 'insiders', that have very low risk of unemployment, have too little incentives of wage restraint, and the price of the ensuing loss of competitiveness and increase in unemployment is born by the 'outsiders' that often suffer from long periods of unemployment. The problem is to create incentives for wage restraint. The Council presented a solution, where the cost of membership of an unemployment fund (A-kasse) should rise and fall with unemployment. In that way the wage earner would be directly affected by a lack of wage restraint (that according to the Council necessarily would lead to a worsening of competitiveness and thus unemployment) (The Economic Council, 1988: 61-65).

The Council's report of 1988 was distinct from earlier reports in that used neoclassic assumptions. For example, it was assumed – with implicit inspiration from Lucas (1976) – that wage earners have rational expectations and follow economic incentives. The report also draws heavily on the insider/outsider-theory of Lindbeck and Snower's and Blanchard and Summers' (1986) theory of 'hysteresis'.

The ideas became part of government discourse, when they were used in a white book on 'The structural problems of the labour market' (Ministry of Labour, 1989). The report was published in May 1989 alongside an ambitious economic plan, 'The Plan of the Century', with strongly neoliberal underpinnings (cf. below). As the title indicates, the white book takes as its starting point that a significant part of unemployment cannot be avoided without reforming



certain structural problems in the economy. It is also argued that there are few possibilities to reduce unemployment through general economic policy. The primary reason for structural unemployment is that differences in wage are smaller than differences in productivity, which has as a consequence that there exists a permanent inequality in the distribution of unemployment. The reason that the wage structure has not adjusted to the uneven distribution of unemployment is two-fold: first, the relatively high benefits of the Danish system has created disincentives to adjust wages. Second, it is argued – with reference to The Economic Council (1988) – that workers with low risk of unemployment (i.e. 'insiders') have greatest influence in the collective agreements, and they have no incentives to keep down wages. This has as a consequence that workers with high risks of unemployment (i.e. 'outsiders') are forced to stay unemployed because the wage levels do not adjust in a downward direction (Ministry of Labour, 1989: 19-23). In the white book it is suggested that greater wage restraint would follow if rising unemployment leads to higher contributions from both employers and workers, a solution that closely resembles the one presented by the Economic Council.

The report also refers to the theory of 'hysteresis', when it is argued that long-term unemployed loose important skills, while they are unemployed (p. 26). Moreover, the report points to the disincentives that comes from a high level of benefits and level of compensation – especially that the unemployed will be hesitant to take work, because the extra income would be relatively low. The report pointed to education and supplementary training as a solution to the structural problems of the Danish labour market, which according to the report would increase professional mobility and productivity. It also proposed a reform of the unemployment benefit system with special reference to the general benefit level and financing of the system (p. 33-37).

The argument that these new ideas were present in the government's thinking on the

subject is further supported by the appearance of similar arguments in central government papers, for example the Ministry of Finance's yearly accounts. The 1990 account (Ministry of Finance, 1990) features a whole chapter about the structural problems of the labour market, which extends on the analyses in the governments white book (Ministry of Labour, 1989), and it features an article-length account of hysteresis in the Danish labour market (p. 103-118). Moreover, the account also employs the insider/outsider-theory to explain the lack of wage adaption in the face of growing unemployment (p. 78). Moreover, Like the white book, the account also argues that the high benefit levels in the Danish unemployment system creates disincentives for unemployed people to look for a job (p. 79).<sup>15</sup> Another example of a government paper that deals with new economic ideas, is the Ministry of Taxation's Tax Political Account of 1989 (Ministry of Taxation, 1989). Chapter five about the influence of taxes on the economy for example deals with the disincentives to work that progressive taxation creates (p. 81-86). The account also argues that due to the rational expectations of wage earners, a rise in e.g. consumption taxes – that creates rising prices – will lead to demands for higher wages, which in turn limits the competitiveness of firms with a resulting loss of productivity (p. 86-89).

The last example we are going to mention here, are the analyses in the Ministry of Economy's account, 'Økonomisk oversigt', from 1991 that spends a chapter on the 'structural problems of the labour market (Ministry of Economy, 1991: ch. 2). It is estimated that with the existing structure it is not possible to bring unemployment below 220.000 without creating an undesirable wage increase (p. 39). Unemployment is disproportionally distributed between different groups – men/women, young/older, skilled/unskilled workers, high/low income, etc. – owing primarily to the social partners' lack of incentive to keep wages down (again with

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15 Another example of the government using neoclassic theory in their policy analyses is the Ministry of Finance's account of 1993 that refers to and estimates the non-accelerating inflation rate of unemployment (NAIRU), or in other words, OECD's understanding of 'structural unemployment' (Ministry of Finance, 1993).

reference to the tripartite agreement of 1987) as well as the generous benefits of the Danish system that keeps the degree of compensation during unemployment high (p. 41).

Structural unemployment was also an important topic in the report from the Social Commission (1993)<sup>16</sup>. The commission estimated 'structural unemployment' to be around 7-8 per cent (The Social Commission, 1992: 78). In an analysis of the causes of unemployment, the Commission argued that the last 18 years of unemployment to a large degree has been due to a range of mechanisms that have kept the labour market from "clearing" (The Social Commission, 1992). Among these the Commission pointed to: The insider/outsider-problematic that 'insiders' drive up wages, resulting in increased unemployment among 'outsider'; and the problem of 'hysteresis', where the long-term unemployed lose their competitiveness on the labour market, which makes firms bid up wages to attract workers that are already employed; and the problem that a minimum wage keeps 'outsiders' from offering their labour at a price firms are willing to pay (74-75). The Commission did believe that parts of unemployment could be limited with around 3-4 percent through a general expansive fiscal policy, but 7-8 per cent of unemployment could only be dealt with through structural reforms of the labour market.

The new economic ideas had also taken hold outside the government. As Goul Andersen (2009) argues, the new diagnosis was accepted – with modifications - by all important political actors (including the social partners) around the end of the 1990s (see also Torfing, 2004). Though the new economic ideas were thus present in the government and other central actors' thinking about the labour market, the ideas – as we will see in the next section – did not find their way into concrete policies, because the bourgeois government was not able to find sufficient support for their relatively radical reform proposals.

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<sup>16</sup> The Social Commission was appointed by the government in August 1991 and asked to present proposals on how to limit unemployment through active employment policy. The Commission's proposals did not lead to political reforms, but the Commission was successful in creating debate, and was thus influential in the formation of elite and public opinion (Albrekt Larsen and Goul Andersen, 2004).

#### *4.5.2 Neoclassic ideas in general economic policy*

As already mentioned, one of the actors that was most active in using new economic ideas, was the Minister of Taxation 1987-92, Anders Fogh Rasmussen from Venstre (who would later become Prime Minister in the period 2001-2009). Anders Fogh Rasmussen was strongly influenced by the theories of Robert Lucas, who he spoke with on a trip to the USA in 1982 (Larsen, 2001). Based on Lucas' theoretical principles, Fogh Rasmussen argued that politicians should refrain from trying to control the economy. For example, in 1987 the then deputy chairman of Venstre argued in an opinion piece that an active economic policy was redundant (Fogh Rasmussen, 1987): Monetary policy was unfeasible, because the interest rate could not be held at a lower level than foreign countries; currency policy was useless, because the gain would be eaten up by higher inflation; income policy was unenforceable over longer periods of time, because statutory salary scales were not followed, and the political system had no means to maintain them; and due to an already exorbitant high tax pressure, fiscal policy was useless as a contractionary measure. He thus concluded that the only viable approach was to uphold a simple, firm and long-term economic policy, and within this setting “the market forces must solve the balance-of-payment problem on its own” (Fogh Rasmussen, 1987). If the social partners are left to act on the market, they will bear the consequences of a lack of wage restraint, namely a loss of productivity and employment:

“And this is exactly the mechanism that is the whip on the necks of the social partners. They must know that when the deficit on balance-of-payments grows, interest rate rises can occur, which dampens production and employment” (Fogh Rasmussen, 1987).

Implicitly drawing on Friedmans policy prescriptions, Anders Fogh Rasmussen (1988) argues in 1988 that the fiscal policy of the coming years has two main tasks: To secure balance on the state budget and gradually reduce the size of the public sector. He calls for a break with the fiscal policy of the last two generations. He is especially concerned with the Keynesian argument that greater demand can be stimulated through a deficit on the public budget, whereas creating a surplus on the public budget is helpful in slowing growth. The problem is that in the real world of politics, politicians will spend up the surplus as soon as possible: “In the Danish political system it is simply impossible to accumulate a surplus. Because it is instantly spent” (Fogh Rasmussen, 1988). Thus, the only viable approach to economic policy is to strive for balance in the state finances. If that would happen, the market could solve the problems in the Danish economy.

The new neoclassic ideas was not shared by the whole government, among these the Minister of Finance, Palle Simonsen. Even though Simonsen was sceptical of the growth of the public sector, it was based on traditional conservative ideology and not new economic theory (Simonsen, 1981b). Still Anders Fogh Rasmussen greatly influenced the government's agenda for economic policy<sup>17</sup>, not least with the help of his Tax Political Secretariat – a bureau in the Ministry of Taxation with specially selected officials that produced analyses, which supported the ministers policy stances.

The election in 1988 had not been a success for the government that lost seven mandates, but it was still able to stay in power. Prime minister Poul Schlüter was on the lookout for ideas to inspire a bourgeois offensive. Anders Fogh Rasmussen was able to deliver these ideas and wrote several sections that were put directly into the Prime Minister's opening speech to the parliament, which turned out much more ideological than what was

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<sup>17</sup> Minister of Finance Palle Simonsen, who represented the more traditional conservative approach to economic policy was gradually sidelined by Anders Fogh Rasmussen in the Government's economic policy. In October 1989 Palle Simonsen chose to leave the government, not least because his influence on government policy had almost disappeared (Kristiansen et al., 1992). This obviously created more room for the proponents of new economic ideas – also because the new Minister of Finance, Henning Dyremose, was more open to the new ideas.

usual for Poul Schlüter (Kristiansen et al., 1992: 232-33). The cooperation between Poul Schlüter and Anders Fogh Rasmussen continued to develop positively, so that Anders Fogh Rasmussen and his tax political secretariat delivered several memorandums on the possibility of a combined lowering of the income tax and wages with ten per cent, an idea that was considered ludicrous in the Ministry of Finance (Kristiansen et al., 1992: 236) but later presented in the Prime Minister's new year's speech. It was not received well by the social partners, and thus the idea was dropped. The idea – that has not been traded off with the Minister of Finance – created animosity between the Ministry of Finance and the State Department. In other words, at this point internal disunity was prevalent in the government.

The new economic ideas were also present in the government's economic programme following the election of 1988. The key points in the programme was a smaller public sector, de-bureaucratization, tax reliefs with dynamic effects and a reduction of public employees of 100.000 in ten years (Kristiansen et al., 1992: 235). These overall policy aims laid the foundation for the later work on the government's ambitious plan – The Plan of the Century, the overall contours of which was revealed in the beginning of 1989. The reason why the Prime Minister suddenly wanted to change Danish economic policy was not so much the availability of new economic ideas as changes in the political climate: In the election of 1988 the right-wing and very tax-sceptical party, The Progress Party, had gained strongly in the polls, which was – wrongly – perceived by the Prime Minister and his advisers as sign of dissatisfaction with the government for not being conservative enough (Albrekt Larsen and Goul Andersen, 2004). They thus wanted to signal a strong bourgeois commitment through a more active tax policy.

A number of government papers – that analysed the background for the reform – used neoclassic theories to argue for tax reliefs and their dynamic effects. One example is the above mentioned analysis published in the Ministry of Taxation's Tax Policy Account, where it is

stated that in the Danish economy

“there are very significant distortions and loss of welfare, which must be assumed to be reinforced by the very high Danish tax burden and the high marginal tax rate” (Ministry of Taxation, 1989: 81).

The account focuses on the effect of high marginal tax rates on the supply of labour, and with reference to empirical analyses from the start of the 1980s, it is argued that taxes have “clear negative effect on the supply of labour” for both low and higher incomes (with greatest effect on the higher incomes) (p. 83). Moreover, with reference to Swedish experiences, it is argued that a tax reform organised the right way can be self-financing and even yield higher incomes for the state because of the increase in labour supply – also called 'dynamic effects'. (p. 84). The account also argues that higher taxes will make wage earners demand a higher wage. The account thus rebukes the Keynesian argument that because increased public expenditure has direct effect on consumption, a combined increase in taxes and public spending would have expansionary consequences. Contrary to this the account argues that the increase in wages that follow from the increase in taxes, will harm wage-competitiveness and thus exports and employment. The increase in spending on unemployment benefit will lead to higher taxes, once again making workers demand higher wages, and so on. In this perspective, tax increases creates a wage-tax-spiral: (p. 88). The account thus argues that tax reductions combined with cuts in public spending would be the most suitable instrument to recreate economic growth and reduce unemployment (p. 89). The account also deals with the effect taxes on capital have on the propensity to save, where it is argued that private savings can be stimulated through reductions in the taxing of capital income, and that the expansion of social programmes will reduce the incentive to save (89-93). The ideas in the account are inspired

by neoclassic economics. They are thus based on the rational expectations of workers and on the supply-side of employment.

Interestingly, arguments in the Ministry of Finance's (1990a) publication that provided the background for the government's reform initiative, *The Plan of the Century* (The Government, 1989), echoed the arguments in the above mentioned tax political account. It thus referred to the Laffer curve and suggested that a tax relief would be 30 per cent self-financing through dynamic effects. It was also argued that high marginal taxes had distortionary effects, because the wage after tax deviated strongly from the nominal wage. It was argued that this would lead to reduced labour supply, black economy, tax evasion and emigration (Ministry of Finance, 1990a: 108). This demonstrates how neoclassic ideas were actively used at the level of officials, ministers and politicians, and even formed the intellectual background for the government's ambitious plan for the Danish economy.

In the end, though, the Minister of Finance presented a proposal for tax cuts that was fully financed and thus it did not use the ideas of dynamic effects. In the proposal, 'the Plan', a number of taxes were cut, which was financed through environmental taxes, an expansion of the tax base and increased self-payment of unemployment benefits (The Government, 1989). Negotiations between the government and the opposition, primarily the Social Democrats, was initiated but broke down in the fall of 1989, because the parties could not come to an agreement. The government had presented a very ideological proposal and it was not able to reach an agreement with the Social Democrats. The Plan is still, significant, though, because it was the first time new economic ideas were presented at the level of government (Albrekt Larsen and Goul Andersen, 2004: 143).

The influence of the new economic ideas also showed in the The Ministry of Finance's account of 1990 (Ministry of Finance, 1990b), which dealt with the distorting effects of a high unemployment benefit level and tax level. It was argued that the high tax level played an



important part in the creation of the balance-of-payments deficit of the 1980s, because it decreased work supply and the high business taxes hurt Danish firms on foreign markets. The account also officially broke with the practice of short term (1-2) economic modelling and argued that middle range (4-5 years) planning was now the ministry's approach to economic policy (Ministry of Finance, 1990b: 15). Asmussen (2007: 142-44) thus argues that the ideas worked out by the Tax Political Secretariat had also made its way into the Ministry of Finance.

In the end the ideas seems to have had only little practical effect. The Plan of the Century did not come through and neither did the government's reform initiatives on tax policy or employment benefit levels. In that perspective the ideas were not successful, though they gained access to the writings of different leading ministries. Does this conclusion support the argument that the ideas did not matter? From the perspective of this thesis, the answer is no: the new ideas did matter. The new ideas were obviously too radical to form the basis for Danish economic policy, but they did succeed in giving weight to certain elements of meaning within the Keynesian set of ideas without the Keynesian ideas being replaced by neoclassic ideas. In other words, the new economic ideas were not fully able to take hold on Danish economic policy – because they were too radical for both the opposition and parts of government – but as we will see from the following analysis, they did come to influence Social Democratic economic policy.

#### **4.6 Economic policy in the beginning of the 1990s**

The period 1986-1993 was a period of dry spell in Danish economy: The investment level was falling, growth stagnated and unemployment was on the rise. This had come at the expense of creating surplus on the balance of payments. The beginning of the 1990s was also a dry spell politically. The bourgeois government had come out of the election of 1990 weakened and was under pressure from a big scandal, the Tamil-scandal, which would in the end lead to the

resignation of prime minister Poul Schlüter. These political circumstances made it immensely difficult for the government to present grand visions for economic policy. Rather, the government was forced to seek the support of opposition parties, who had pet policies to push in return for votes.

Another reason the government stayed relatively passive was that it was waiting for an international upturn that was expecting to kick in soon, and it was not willing to stimulate the economy through an expansive fiscal policy. The inactivity of the government was based on the government's opposition to use fiscal policy to level out the ups and downs of the economy. To get out of the slump, the government argued that the economy needed structural reforms rather than a politically created economic boost. Reforms were needed, so it was argued, in areas of tax policy and labour market policy. Because the Bourgeois governments were unable to obtain a majority in parliament, the only immediate effect of the new ideas on policy was thus the failure to do anything about unemployment (Goul Andersen and Carstensen, 2009: 79). It is thus argued in the 1991 annual account from the Ministry of Finance that

“additional economic improvements can hardly happen through a tight fiscal- and monetary policy alone. Only a strengthened structural-political (strukturpolitisk) effort can bring us forward. However, it is still important to conduct a well-balanced macropolicy” (Ministry of Finance, 1991: 2.

In 1992 it was confirmed in the annual account that adjustments of the fiscal policy should be focused around the middle-range and not as fine-tuning (Ministry of Finance, 1992: 11). Two years before, in 1990, the account had explicitly refuted the possibility of counter-cyclical demand management. It was now officially the position of the government that it was not

possible to adjust economic policy to level out the ups and downs of the economy:

“In the 1960s and parts of the 1970s there existed a great faith in the ability of active fiscal policy to level out cyclical movements and thereby create a favourable development. This optimistic belief in the possibilities of cyclical adjustments has been deserted. Frequent changes in fiscal policy is now rather seen as destabilising for the forming of expectations with the result that undesirable decisions are made in the private sector” (Ministry of Finance, 1990b: 15).

Not surprisingly, then, not much happened in economic policy during these years. Though neoclassically inspired ideas of the bourgeois government thus kept it from reacting to the historically high unemployment levels, the bourgeois government ended up adjusting the tight fiscal policy, by increasing public spending through advancing public investments of four billion Danish Kroner. The situation left many liberals and conservatives – that had hoped for a bourgeois revolution – frustrated, because not much had fundamentally changed during the ten years of conservative rule. As Goul Andersen (2009) concludes: If we look at accomplishments, the policies of the bourgeois government must largely be described as a continuation of Social Democratic welfare policies under hard economic conditions. The most important changes were thus a shift towards policies focused on enhancing competitiveness, a dismissal of fiscal fine tuning and the introduction of the fixed exchange rate policy. These changes – as significant as they might be – did not nearly amount to a wholesale change in the set of ideas structured Danish economic policy.

#### **4.7 New government leads to new economic policy**

In January 1993 prime minister Poul Schlüter stepped back following the above mentioned

Tamil-scandal, and the centre party Det Radikale Venstre decided to support the Social Democrats, following negotiations between the two parties that had been going on for some time, and they formed government with Social Democratic chairman, Poul Nyrup Rasmussen, as prime minister. Party leader of Det Radikale Venstre, Marianne Jelved, has explained that economic policy was not the decisive reason why the party chose to support the Social Democrats, but it did matter that Det Radikale Venstre wanted to conduct an active, expansionary fiscal policy, and Venstre and the Conservatives were against this (quoted in Asmussen, 2007: 163).

It was clear from the beginning that the new Social Democratic government's policy would not be very ideological, not least because the coalition partner, The Radical Left, drew the government towards the centre. The new government was strong in the sense that it was one of the very few majority governments in recent Danish history, so in 1993 the government was free to act, and its major goal was to reduce the unusually high unemployment rates (Goul Andersen, 2009). The change of government also led to a marked change in economic policy. The government wanted to boost the economy to combat unemployment. They did so by issuing an expansive fiscal policy, which increased state budget deficit with 12 billion Danish kroner; a significant liberalisation of credit opportunities deregulating credit policies for homeowners that could reverse falling prices and make it attractive for homeowners to take loans and spend it for consumption; by lowering both income taxes and corporation tax; and by implementing a labour market reform.

In 1994 it was openly declared by the government carried on the previous bourgeois government's economic policy (e.g. Lykketoft, 1994). It did so by fully supporting the fixed exchange rate policy, prioritising a positive balance-of-payments and being attentive to and critical of the growth in public sector spending. The Minister of Finance, Mogens Lykketoft, argued that the Social Democratic government would “in no way stir up the international trust

in our ability to create a stable currency” (Lykketoft, 1994: 81). Moreover, the new government aimed to enhance public service and infrastructure without driving up taxes. Lykketoft (1994) thus acknowledged the previous bourgeois government's accomplishments in restoring the Danish economy, e.g. its fixed currency policy, the introduction of a labour market contribution for firms, which only applied to products and services sold in Denmark (called 'AMBI'), and its ability to tighten public spending.

Despite its continuation and recognition of central bourgeois policies, the new government was sceptical of the bourgeois parties' lack of attention to unemployment and the amount of public jobs that had been closed down. However, the government was aware that an expansive fiscal policy in no way should jeopardise low inflation and a surplus on the balance-of-payments (Lykketoft, 1994: 88). The solution was to create a controlled upturn, that build on a middle-term strategy rather than fine-tuning.

The government had great success with their expansive fiscal policy leading to rising employment levels all through the 1990s, from 12,4 per cent in 1994 to less than five per cent at the end of the 1990s. An important reason for this success lies in the marked growth that followed from greater consumption: 1994 witnessed an economic growth of 5.5 per cent, and the annual growth rate remained around 3 per cent for the next three years (Goul Andersen, 2009). The deficit on the state budget was also eliminated, and the balance-of-payments remained positive – at least until 1998, where the government had to tighten the fiscal policy and limit consumption to keep the balance-of-payments from worsening.

#### *4.7.1 The labour market policy of the Social Democrats*

The way that the Social Democrats took up the neoclassic approach to unemployment, is especially interesting from the perspective of this thesis. As mentioned above, all relevant actors had around the beginning of the 1990s accepted structural unemployment as the

primary problem of Danish labour market policy. This was also the case with the Social Democrats. The reforms that the government implemented in the beginning and middle of the 1990s were relatively comprehensive, and even went against the immediate interests of the Social Democrats, which points to the influence of new economic ideas. As Albrekt Larsen and Goul Andersen (2009) puts it, the Danish Social Democratic governments adopted a number of major reforms that were strongly influenced by new economic ideas but compromised with the party's historically rooted preferences and with the preferences of the party's core constituency as well as of potential voters. It is beyond the scope of this thesis to conduct a thorough analysis of the reforms (see Albrekt Larsen and Goul Andersen, 2003; 2004). In this context it will suffice to analyse how the ideas behind the new government's labour market policy developed, and how they were related to the ideas that were first formulated by the bourgeois governments of the late 80s.

As mentioned above, when the Social Democratic government was formed following the resignation of Prime Minister Poul Schlüter, the high unemployment level was the primary problem for the government. It was thus the ambition of the Social Democratic government to break the curve of unemployment – preferably before the next election. Beyond kick-starting the economy with an expansive fiscal policy and liberalising the loan market, they also conducted an active labour market policy. In their 1993-reform they in large part followed the proposals from the Zeuthen-commission. The Zeuthen-commission had been appointed by the bourgeois government in January of 1992 and delivered their report about half a year after (The Zeuthen Commission, 1992).

The Commission was formed with the support of all parties in parliament, and it was explicitly formulated in the mandate that the commission were to examine the possibility of making the costs of unemployment visible to the social partners. The mandate also asked for suggestions on how a reform could create incentives to wage restraint on part of the social

partners. The Commission consisted of representatives from the social partners, and in this way the proposal had considerable legitimacy. Though the Commission had a difficult time agreeing on solution, they largely agreed on the diagnosis that unemployment was to a large degree structural. Regarding solutions, the employers basically wanted to adjust wages to qualifications which implied that social security also had to be adjusted in order to ensure incentives to work, whereas the trade unions basically wanted an upgrading of skills to match the high minimum wages. The situation was much the same between the previous bourgeois government and the new Social Democratic government: They shared the diagnosis of the problem, but they disagreed on the cure. This was probably an important reason why the Zeuthen-commission was so successful: it was possible to agree on the notion of structural unemployment, because opposing interests could attach their preferred solution to it (Albrekt Larsen and Goul Andersen, 2004; 2009).

The labour market reforms of the 1990s were set in three stages, but there seems to have been no master plan behind, because the policies were somewhat contradictory. On one hand, the Social Democrats used an expansive fiscal policy to boost aggregate demand and thus employment, which contradicts the standard understanding of structural unemployment. At the same time the government subscribed strongly to the 'Active Line' in labour market policy, which was characterized by a mix of activation and control/incentives (Goul Andersen, 2009). An important part of the active line was the focus on the individuality of clients. The idea of individualisation has through the 90s been based on the belief that unemployed people have individual abilities, strengths and motivation. The key to reintegration is to stimulate these resources through incentives, education and individual job plans, whereas the bourgeois parties have traditionally put control and incentives over e.g. upgrading of skills (cf. Carstensen, 2010a). In other words, the Social Democrats had supplemented their traditional understanding of unemployment as a matter of too little aggregate demand with a supply-

sided understanding of unemployment.

Another important part of the supply-sided approach was control and incentives. The stronger focus on control and incentives had started already with the former bourgeois government, and was now extended with the Social Democrats. Activation thus became a measure both for further qualifying the unemployed as well as controlling availability to the labour market (Torfing, 2004). The control perspective was further strengthened from the end of the nineties, when the duration of benefits was gradually cut to four years with right and duty to activation after one year<sup>18</sup>. The Social Democratic labour market policy thus did not follow a strict market strategy, but rather a strategy of activation and upgrading of skills combined with a considerable tightening of requirements (Goul Andersen, 2003).

What is particularly interesting about the changes that occurred with the Social Democratic government, is both the *dimension* and *timing* of change. As to the dimension of change, several studies have argued that with the Social Democratic government a paradigm change was occurred in Danish labour market policy (e.g. Albrekt Larsen and Goul Andersen, 2003; 2004; Asmussen, 2007). The ideas had changed during the end of the 1980s, but the bourgeois governments had not been able to get the ideas through parliament. Now, finally, with the Social Democrats it was possible to implement the ideas. But how does the primary theory of paradigm change, Hall (1993), conceive a paradigm change? According to Hall (1993) a change of ideas – a third order paradigmatic change – leads to a change of instruments and their setting, because the paradigm structures the instruments that politicians take into use. This was not the course of events in the Danish case. Here, rather, ideas changed, but they only came to structure policies – that is, the instruments and their setting – about four years later. This suggests that different and somewhat contradictory ideas co-existed in a rather long period (roughly 1988-1993). It is also worth noting that the idea of

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<sup>18</sup> Before the Social Democrats took power, the effective benefit duration had been 8,5 years, and it took only 26 weeks of fulltime work to qualify for another 8,5 year period of benefits (Goul Andersen, 2009).



'structural unemployment' has never completely sidelined the business cycle approach. As Albrekt Larsen and Goul Andersen (2003) note, policies based on the business cycle approach have slowly been phased out, while there has occurred a phasing in of policies with an approach based on the idea of 'structural unemployment', which makes them conclude that the two tracks in Danish labour market policy have co-existed during the 1990s. This does not fit well with Hall's theory of paradigm change.

A second important aspect is the timing of the changes. The ideational changes occurred in the end of the 1980s, when 'structural unemployment' became the dominant idea in Danish Labour Market policy, but the ideas did not become part of policy before the beginning of the 1990s. How does this fit with Hall's (1993) theory of paradigm change in policy making? In Hall's (1993) perspective policy making follows a specific kind of trajectory: long periods of stability are occasionally ruptured by sudden changes following a paradigm shift. This also does not fit well with the Danish case. In Danish labour market policy the changes that occurred were more incremental than sudden: The Social Democrats build on central ideas in the previous bourgeois government's thinking on unemployment, but it supplemented with its own ideas of upgrading skills and individualising the effort to get people out of unemployment. And, importantly, the idea of 'structural unemployment' co-existed with a Keynesian belief in the possibility of alleviating unemployment through stimulating aggregate demand.

#### *4.7.2 Incremental ideational change in Social Democratic economic policy*

The period where the Social Democrats returned to government power is one of the most interesting periods from the perspective of this thesis. From the paradigm perspective we can derive two theses from the paradigm perspective, that stand in immediate opposition to each other. The first thesis is that the change of government did not lead to a paradigm change,

which would mean that basically the Social Democratic government did not change policy upon returning to government power. The second thesis could be that upon gaining government power, the Social Democrats implemented their own economic policy ideas and disregard the ideas of the previous bourgeois government.

Interestingly none of these theses are close to fit the development around 1993. Instead, what we see is that the ideas that structured economic policy making did change, but not altogether. Instead, the Social Democratic government marked a return to the belief that unemployment is an important political problem that can and should be dealt with actively by politicians. The main economic instrument was an active economic policy was based on a combination of arguments from Keynesian and neoclassic economics. For example, the liberalisation of the policy for loan from real property – which could be seen as a reversal of the limitations that had been implemented by the bourgeois governments of the the 1980s – was expansionary and aimed to boost aggregate demand.

On the other hand, the government implemented a tax reform – that was not too popular with the electorate (Goul Andersen, 2005) – that was based on arguments from supply-side economics. Albrekt Larsen Goul Andersen (2009b) thus argue that the Social Democrats had changed opinion on progressive taxation. This was due to the increasing influence of the idea that taxes are detrimental to competitiveness and that the labour market is troubled by supply-side problems. Important parts of the intellectual background for the tax reform explicitly came from the 1992 'Commission on Personal Taxes' (1992) that, after pressure from the opposition, had been created by the former bourgeois government. The Social Democratic government argued that lower marginal taxes would motivate those already employed to work more (as the substitution effect was implicitly assumed to exceed the income effect) and at the same time motivate unemployed people to join the labour market. (Albrekt Larsen and Goul Andersen, 2009b). The reform thus aimed at removing important

distortions on the labour market to solve its 'structural problems'. Albrekt Larsen and Goul Andersen (2009b) thus argue that

“it seems difficult to deny that the tax reform was strongly influenced by new economic ideas and perceptions of structural problems at the labour market and elsewhere in the economy, and it is even difficult to find any other motives” (p. 19)

The Social Democrats also supported central parts of bourgeois economic policy, namely, as mentioned above, prioritising a positive development in the balance-of-payment, supporting the fixed exchange rate policy and being critical about growth in public spending, which, however, did not translate into policy. The change of government, then, did not lead to either a paradigm change or a confirmation of the older Keynesian paradigm (if there ever was a paradigm). Rather, the Social Democratic government combined central bourgeois policy stances with their own belief in the possibility of stimulating growth through an expansive fiscal policy.

#### **4.8 Conclusion: The short story of ideational change in Danish economic policy**

This conclusion primarily deals with the main results of the empirical analysis and leaves it up to the next chapter to connect the empirical results with the theoretical argument. What then happened in Danish economic policy in the fifteen year period the thesis has dealt with? In the period 1973-82 the Keynesian approach to economic policy stood strong, though some important displacements within the Keynesian set of ideas occurred in the beginning of the 1980s. For the first time in a long time the balance-of-payments was prioritised higher than employment, and economic policy was sought organized according to a multi-annual strategy. Another important change by the bourgeois governments was the shift from macro-oriented

economic management with focus on unemployment to a strategy that focused on competitiveness and to a notable degree the market. In labour market policy the bourgeois government put emphasis on education rather than job offers, and generally they conducted a less active policy than the previous Social Democratic government. Consensus was still, however, that alleviating unemployment was a question of creating enough aggregate demand. The government thus acted within the same causal understanding of the economy as the Social Democratic governments, but significant ideational changes still occurred in the period.

In the late 80s new economic ideas, inspired by neoclassic theory, introduced into Danish economic policy. The new ideas were focused on structural problems on the labour market and the distorting effects of taxes. An important term in this period was 'structural unemployment', which meant that a range of structural problems on the labour market made it impossible to reach a lower level of unemployment than the 'natural level' by stimulating aggregate demand. A number of theories were used in elite discourse, e.g. the insider/outsider-theory (Lindbeck and Snower, 1988), 'hysteresis' (Blanchard and Summers, 1986), 'natural level of unemployment' (Friedman, 1968) and rational expectations (Lucas, 1976). Even though a consensus arose that the Danish labour market had several 'structural problems', and the bourgeois government used the new economic ideas in their policy, it was not possible for the bourgeois government to get their neoliberal reforms through parliament.

However, the new economic ideas had taken hold, also in Social Democratic policy. Thus, the Social Democratic government that came to power in 1993 used the new economic ideas in their policy, but the ideas were somewhat changed and used together with more traditional Keynesian stimulus of aggregate demand. The new economic ideas played a particularly strong role in the labour market policy of the 1990s. As argued above, the Social Democrats agreed with the former bourgeois government on the problem, but they disagreed on the solution. Where the neoclassic ideas of the bourgeois government had kept them from

acting, the combination of traditional Keynesian economic policy with new economic ideas made the Social Democrats issue a big reform of taxes and the labour market and kick-start the economy through an expansive fiscal policy. The new ideas also took hold in Social Democratic tax policy that used supply-side oriented theories to support and structure their policy. One could say that the Social Democrats combined supply-sided theories in their labour market- and tax policy with more traditional Keynesianism stimulus of aggregate demand.

Taken together, then, the twenty years of economic policy analysed in this chapter has witnessed both change and stability. The ideas that governed economic policy changed in both decades, but the changes occurred within a Keynesian set of ideas. Two periods that are particularly interesting is the end of the 1980s and the beginning of the 1990s, because here two sets of ideas seems to have co-existed: the traditional Keynesian approach to economic policy and the new economic theories that certain actors tried to substitute the Keynesian ideas with. However, the new economic ideas ended up moderated and then imported into the Keynesian set of ideas by the Social Democrats. With this short story of Danish economic policy in mind, is it reasonable to argue that a paradigm change has occurred? That is the subject of the next chapter.

## 5. Conclusion

The thesis started from a critique of the standard conception of ideas and ideational change. It was argued, and sought documented in chapter two, that mainstream ideational theory explicitly or implicitly employs a conception of ideas as coherent, stable and structured by a core. Moreover, the chapter two also demonstrated how this conception of ideas translated into a theory of ideational change that emphasised ruptures – or what could be called an 'ideational punctuated equilibrium model'. Additionally, these explicit or implicit theory of ideational change builds on the understanding that ideas do not *change*, they are rather *replaced*, which then leads to political change, where ideas function relationally in the sense that they derive their meaning from the relations within (internal generator of meaning) and between (external generator of meaning) them. This analytical move made ideas open to change without ideational replacement and crisis. The thesis thus presented a significantly different understanding of ideas than the one represented by Hall's (1993) paradigm approach. This final chapter now provides an answer to question of how does the Danish case fits with the paradigm- and incremental approach, respectively.

According to Hall (1993) a paradigm change entails a third order change where all three components of a policy field – goals, instruments and the setting of the instruments – change. This means that third order change is marked by a radical break with the usual terms of policy making, which leads to a fundamental rupture in the policy field. According to Hall (1993) a change of ideas can *only* happen in cases of paradigm change, because a change of ideas *equals* a paradigm change (cf. chapter 2). Can the changes that occurred in Danish economic policy from 1974 to 1994 then best be conceptualized as a paradigm change? There are several reasons why this is not the case.

First, there is the *dimension* of change: how did the ideas that structured economic

policy change? In Hall's perspective a change of ideas would need a wholesale change of the way economic policy is conducted. The 80s did witness ideational change, but it did not lead to a fundamental change in the understanding of the economy. Basically, during the 80s ideational displacements occurred inside the Keynesian set of ideas, which placed centrally the strategy of enhancing competitiveness, including a focus on improving the balance-of-payment at the expense of employment. This in turn pushed the Social Democratic approach of stimulating employment through public spending to the edge of the set of ideas used in economic policy. But counter-cyclical demand management was still part of the bourgeois governments' policy. When the Social Democrats returned to power in 1993, they based important parts of their economic policy on the previous bourgeois approach, but fight unemployment they supplemented it with a kick-start of the economy.

In other words, the change of government in the beginning of the 80s (bourgeois governments) as well as the beginning of the 90s (the Social Democratic government) did not lead to wholesale changes in the set of ideas that structured economic policy. Rather, the governments build on the economic policy of previous governments, but supplemented this with their own perspective and prioritisation. The end result – that is, the difference between economic policy in 1974 and 1994 – is marked. The ideas that structure Danish economic policy have certainly changed, but it has not occurred as part of a change of paradigm. It is thus evident that the economic ideas *did* change, but they did not change in a fashion that supports Hall's theory of change.

Second, there is the *timing* of change: did the changes that occurred happen in ruptures like Hall's (1993) model of paradigm change argues? We have already pointed out that the period saw significant ideational change without wholesale change in the ideas that structured policy. It is thus expectable that the changes that did occur, did not happen very dramatically. It should be noted, though, that often significant change did follow from a change

in government, not least in 1982 and 1994. In this way the changes occurred in ruptures, and as Hall (1993) argues, as part of a change in government. There are, then, an important political dimension in ideational change: it most often happens when the power structure changes. Though the importance of changes in government should in no way be neglected it would be to stretch Hall's (1993) theoretical framework too much to say that it can explain ideational change in Danish economic policy. Ideas did change, but it did not happen either at critical junctures or in ruptures. Rather it happened as a continuous political battle – as well as puzzling (Heclø, 1974) – over which ideas should inform Danish economic policy making.

A third reason why the Danish case does not fit well with Hall's paradigm approach is the *co-existence* of seemingly contradictory ideas. According to Hall, ideas are only contradictory and ambiguous, when they are about to be replaced with a new paradigm with different ideas. In other words, paradigms are distinct and not commensurable<sup>19</sup>. This, however, is not what we have witnessed in the empirical analysis. Here we saw how neoclassical ideas gain ground in the end of the 1980s, but were not implemented into policy. The economic policy that the bourgeois government conducted, then, was rather Keynesian in nature. In the 1980s – as well as in the 1990s – new economic ideas were thus combined with a more traditional Keynesian approach to economics. The primary reason was that the bourgeois government was not able to get their new ideas into policy, because they could not muster the necessary support from other parties in parliament. This supports the argument that ideas are not as coherent, stable and closed as the paradigm approach suggests. It also points out that the workings of a parliamentary system – especially a multi-party political system – makes it immensely difficult to implement paradigms as conceptualised by Hall

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19 When describing the differences between monetarism and Keynesianism, Hall (1993) writes that "something of a new synthesis between them has emerged in recent years, (but) during the period examined here (...) these two economic ideologies were distinct paradigms" (p. 284). Thus, Hall seems to acknowledge that paradigms can be combined and re-combined. However, this assertion is hard to reconcile with the understanding of paradigms otherwise advocated in his paper (cf. chapter 2), and thus this remark seems without real consequence for Hall's (1993) theory.



(1993). In opposition to this, the incremental model presented in this thesis argues that because ideas are never hermetically sealed from other ideas – their identity is based on relations to other ideas – there always exists a possibility of exchange and communication between them. This enables sometimes surprisingly contradictory combinations of ideas.

A fourth reason that the Danish case does not support a paradigm approach to ideational change, is that the twenty year period studied in this thesis witnessed a *combination* of seemingly contradictory ideas. As already mentioned, the 1980s saw the co-existence of ideas from both neoclassic and Keynesian economics, but when the Social Democrats came to power in 1993, the ideas no longer simply co-existed. Instead they were combined. Supply-side oriented theories inspired the Social Democrats tax- and labour market policy, but these new economic ideas were combined with a more traditional strategy of kick-starting the economy – and thus fighting unemployment – by stimulating aggregate demand. Within the understanding of ideas as stable, coherent and defined by a core – ideas as a paradigm – this instance of ideational combination is difficult to understand and conceptualise theoretically.

One of the reasons that it is possible to combine seemingly contradictory ideas – or just letting them co-exist – is that politics functions differently than the history of science, where Hall (1993) found inspiration for the term 'paradigm'. In the practical everyday conduct of politics it is not possible to slavishly follow a certain theory of e.g. economics. This is because theories have to be interpreted to fit the concrete circumstances that they are supposed to be solutions for. It also matters that governments – or opposition parties, for that matter – constantly experiences political pressure from different angles: they most often have to strike agreement with other parties (e.g. the parties that together make up the government, or the opposition), they have to satisfy powerful groups in society (e.g. the social partners), they have to satisfy their core constituency, and, even more importantly, the swing-voters.

Moreover, as historical institutional theory has forcefully shown, political systems are affected by institutional inertia, which creates path dependency (Pierson, 1994; 2004), which makes it immensely difficult to implement one's own ideas without in some way combining them with the already existing set of ideas (Cox, 2001). This, of course, does not lead to ideational stalemate. Ideas can definitely change in significant ways, but it is immensely difficult for the existing set of ideas to be discarded altogether and within a short period of time<sup>20</sup>.

Where does this leave Hall's (1993) paradigm perspective on ideational change? The analysis has demonstrated, how a study of ideas that understands ideas as coherent, stable and defined by a core of meaning creates certain blind spots: if we employ an ideational punctuated equilibrium model we can explain stability (e.g. through institutionalisation of ideas), but it becomes difficult to detect more gradual change as well as combinations of sets of ideas. The weakness of the paradigm approach hinges on its implicit conceptualisation of ideas that only weakly corresponds to the real world use of ideas in policy making. We thus need a theory of ideational change that employs a different conception of ideas and can both explain ideational change and stability. It is the argument of this thesis that a model for incremental ideational change offers a solution to this theoretical and empirical problem.

How, then, would the model presented in this thesis explain the ideational changes that have taken place in Danish economic policy? First off, it is worth noting how an alternative conception of ideas, and the mechanisms through which they change, opens for a different interpretation of how the ideas that have structured Danish economic policy changed during the fifteen years under scrutiny. On the one hand we see stability, because the economic ideology that has structured policy making has been Keynesian all through the period. On the other hand we see significant ideational change in the period, most notably that the bourgeois

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<sup>20</sup> One could argue that this only matters in political systems with minority government, where it is important to reach agreement with the opposition. Though there is some truth to this – the organisation of the political system certainly influences how ideas matter (Schmidt, 2002) – it does not solve the political problem of appealing to the median voter, of satisfying resourceful social actors or of changing 'sticky' institutions and political culture. These are significant challenges in both majority- and minority parliamentary settings.

governments of the 1980s change strategy, e.g. by focusing on the balance-of-payments at the expense of employment, and when they fought unemployment they did it by stimulating growth in the private sector. This is important changes, but they are not paradigmatic in nature. Rather, they are displacements inside the Keynesian set of ideas. This corresponds to the internal mechanism of incremental ideational change that was discussed in chapter 3: that is, when over time an element of meaning moves from the periphery to the centre of the idea, thus adding to or replacing the element of meaning in the dominant set. In this case the belief that unemployment could best be fought through an improvement of competitiveness becomes the principal structuring idea of the bourgeois government. With the Social Democrats in the 1970s unemployment had instead primarily been fought through expansive fiscal policy. This does not mean that competitiveness was not a concern of the Social Democrats, but rather that the concern for unemployment was placed more centrally in the Social Democratic understanding of economics than it was the case with the bourgeois governments.

Another example of significant ideational change, is the Social Democratic economic policy in the beginning of the 1990s. We saw from the empirical analysis how the Social Democrats coupled their traditional Keynesian ideas with the bourgeois ideas of structural unemployment, a fixed currency policy, using a middle- and long term strategy (which ruled out fine tuning), showing great interest in the balance-of-payments, etc. By attaching these ideas that had been centrally placed in bourgeois economic policy of the 1980s to their Keynesian ideas of stimulating aggregate demand and active labour market policy, the ideas that structured economic policy changed significantly in the 1990s, but it did not amount to a paradigm change in Hall's (1993) terms. In the terms of this thesis, we rather witnessed incremental change, because the dominant set of ideas were not replaced with new ideas. Instead the dominant set of Social Democratic ideas was supplemented with ideas from the

previous bourgeois government.

Another advantage with the incremental approach of the thesis is that it highlights the strategic side of ideational change. It emphasises how actors can work strategically with ideas to obtain their political goals. Both in creating consensus – which would enable broad support to the policies a government seeks to get through parliament – and in nursing one's constituency or the organised interests that are backing you up, the coupling and re-coupling of ideas can be helpful strategies. If ideas functioned like paradigms, this would be much more difficult, because the ideas that you would want to combine would be incommensurable, if they were placed within different paradigms. If, instead, we 're-socialise' ideas into political battles, we may better see how ideas are flexible and malleable, despite their ability to structure political action in patterned ways.

In the introduction to the thesis it was argued that studying ideas is much like watching the grass grow: ideas change, but it happens slowly and sometimes almost unnoticeably. The thesis had tried to bring home two general points: One, that the way we conceptualise ideas has great bearing on what kind of ideational change we are able to detect – if we look for coherent and stable ideas, it creates a blind spot for less perceptible changes. Second, if we employ a relational understanding of ideas, we are better able to detect both wide scale and smaller ideational changes. This alternative perspective of course does not solve all problems pertaining to the study of ideas, but hopefully it will help making our eyes more accustomed to looking for gradual yet significant change in political ideas.

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## 7. Summary in Danish

Siden starten af 1990'erne har statskundskaben i stigende grad vist interesse for ideers betydning i politik. Særligt Peter A. Halls teori om paradigmer har haft indflydelse på de teoretiske og empiriske bestræbelser på at påvise et kausalforhold mellem politiske aktørers ideer og handlinger. Specialet tager udgangspunkt i en kritik af Halls opfattelse af, hvad en ide er, og hvordan ideer ændrer sig. Der argumenteres for, at ideer i paradigme perspektivet implicit eller eksplicit konceptualiseres ideer som stabile, sammenhængende og defineret ud fra en kerne af betydning. Herudover argumenteres der for at denne opfattelse af ideer fører til en teori om idemæssig forandring, der fokuserer på lange perioder med stabilitet afløst af pludselige brud, mens man til gengæld overser vigtig inkrementel idemæssig forandring.

Som et alternativ til denne forståelse af ideer og forandring, præsenteres der en teori om inkrementel idemæssig forandring. Teorien tager – med inspiration fra lingvistik og diskursteori – udgangspunkt i en relationel forståelse af ideer. En ide defineres som et 'intersubjektivt net af elementer af mening'. I dette perspektiv opnår ideer betydning ved de elementer af mening de indeholder samt deres relation til andre ideer. Det er således muligt for strategisk handlende politikere at kombinere og re-kombinere ideer, så de passer til deres interesser og kan bruges i politiske kampe om den legitime forståelse af virkeligheden. Aktørers muligheder for at anvende ideer strategisk er imidlertid begrænset, særligt som følge af politiske systemers institutionelle og idemæssige sporafhængighed. Ideer kan ændre sig inkrementelt ved at nye elementer af mening knyttes til ideen; ved at et element af mening bevæger sig fra en perifær til en central position i ideen; eller ved at ideen knyttes til en anden ide. Samtlige mekanismer kan føre til afgørende politisk og idemæssig forandring, men de udgør ikke en paradigmatisk ændring.

Ud fra dette relationelle perspektiv analyseres hvilke ideer der har været taget i anvendelse i dansk økonomisk politik i perioden 1980 til 1994. Ud fra to idealtyper – keynesiansk og neoklassisk økonomi – undersøges hvordan forskellige ideer har været styrende på forskellige tidspunkter, og der vises særlig opmærksomhed til overgangen mellem forskellige idesæt. Den empiriske analyse viser, at det keynesianske idesæt har været styrende for dansk økonomisk politik i hele perioden, men at forskellige politiske aktører har søgt at indarbejde neoklassiske ideer i den keynesianske forståelse af økonomi. I løbet af 1980'erne

og 1990'erne fylder udbudssiden således mere og mere i den økonomiske politik, men man forlader aldrig helt det efterspørgselsorienterede keynesianske perspektiv.

Specialet konkluderer således, at paradigme perspektivet ikke er teoretisk hensigtsmæssigt til at forstå dansk økonomisk politik mellem 1980 og 1994, idet den empiriske analyse demonstrerer, at de økonomisk-politiske ideer ikke var strengt sammenhængende eller gensidigt udelukkende. I stedet blev ideer fra både keynesiansk og neoklassisk økonomi kombineret på kreativ vis af politiske aktører. Desuden skete der aldrig et egentligt brud med keynesiansk tankegang. I stedet blev ideerne løbende bearbejdet af politiske aktører i et forsøg på at tilpasse dem til deres interesser. De ideer der strukturerede dansk økonomisk politik mellem 1980 og 1994 udviklede sig således i højere grad inkrementelt end gennem paradigmeskift.