In the Introduction to this volume, as well as in the previous two books in the series on institutional change in Nordic countries, the three dominant approaches to institutional change have been introduced: path dependency and turning points, aggregate effects and political ideas. They take a prominent role in the empirical studies in all three volumes. Despite different profiles, what distinguishes the three approaches is not so much how institutions are conceived but mainly the types of situations and mechanisms they highlight. The relevance of each of the models is determined by the problems and cases studied. Each is potentially fruitful; they may also be combined, as illustrated by the contribution to the first volume by Hagelund and Pedersen (2015) on successful and failed negotiations over welfare reforms. Given their character of middle-range models, they have a common propensity to focus on one institution at a time; for many purposes this is an obvious advantage, but at the same time important processes may be overlooked.

An additional approach to institutional change is indicated in the Introduction to the present book, namely institutional differentiation and accordingly the dynamic interplay between institutions. Even if institutions enjoy a necessary degree of independence, they are simultaneously interdependent or complementary, as pointed out by Hall and Soskice (2001). But complementarity does not mean that they remain static (Thelen, 2012). When institutions coexist, they constitute environments for each other; thereby changes in one affect the functioning of the others (Luhmann, 2013). As a theoretical conception of institutional change, this approach is interesting in itself, but it also gains a substantive justification by democracy being a main topic in this book. Given that the quality of democracy is dependent on the relationship and interplay of several institutions, institutional differentiation becomes a pertinent topic for democracy (Aakvaag, this volume), as briefly sketched towards the end of this chapter. In the following, the fruitfulness of this conception will be put to the test by drawing on the empirical studies in all three volumes of the series.

The theoretical route into the field of institutional interplay goes through conceptions and theories of institutional differentiation. However, in long stretches this road is a slippery slope paved by various types of functionalist (Abrutyn & Turner, 2011) or neo-functionalist (Alexander & Colomy, 1985) methodology paired with systems theory or related holist conceptions (Luhmann, 1977). At least implicitly, functionalism in many versions assumes a delimited social unit where change is driven by some form of efficiency pressures, ‘needs’, the reestablishment of ‘equilibrium’ or, in Foucauldian terms, even ‘oppression without oppressors’. The question arises, then, as to how a ‘society’ is conceived in this perspective. In the history of sociology from Durkheim ([1893] 1997) to Parsons (1971), societies are described as relatively coherent.
unities, in modern times much like nation-states, evolving due to processes of internal rationalization. Later developments in the theory of institutional differentiation have a less unitary bent, according more weight to specific historical analyses of political action and resistance to change (Alexander & Colomy, 1990). Nevertheless, despite exceptions (e.g. Münch, 1990) a holistic leaning remains the rule in this tradition.

However, there is no necessary link between the basic idea of institutional differentiation and functionalist methodology or systems theory. A clear-cut alternative is a bottom-up conception based on social interaction. One possible path is to develop further Michael Mann's (1986) conception of the history of social power, which he elaborates in terms of four relatively independent power networks – economic, political, military and cultural. Mann's main idea was not to lay claim to a new conception of society but to indicate possible contexts for various forms of power by underscoring that these networks differ in their mode of operation as well as in their social and physical extension. The conception of several power networks raises critical and fruitful questions in regard to the idea of a unitary society. At the same time, Mann (1986) remains vague on the question of if and how it, nevertheless, makes sense to speak of 'societies' as specific, albeit multiplex, units integrating a wide variety of organizations with highly different resources and different modes of functioning and control. But despite blurred borders and inconsistent systems of governance, modern societies as nation-states are held together by historical narratives and by being the centre of political legitimacy, citizen rights and state regulation. As 'societies' they are too complex to be grasped as unitary entities, but it is still possible to understand the specificities of their institutions, and to regard a society as a special constellation of institutions, held together by partial and provisional integration, despite dissimilarities in the extension and mode of operation of their institutions.

Institutional differentiation is of course driven by changes in the external environment, be they natural disasters, geopolitical conflicts or technological change. Equally important are internal forces: cognitive and practical innovation in combination with specialization and increased efficiency. Parsons (1966, 1971) underscored the requirement of adaptive upgrading for changes to remain stable – that the innovation must not only be more efficient within the borders of the institution where it originates but also in the relationship between institutions. The question then arises, how is a society held together when confronted by continuous processes of differentiation? Is it possible to establish lines of communication between institutions to establish necessary integration? Aakvaag (this volume) answers in the positive by pointing to the Nordic model, where the state is established with a combination of democratic governance, corporatist coordination and civil society. These important points may be supplemented by the requirements of the life-world of its inhabitants. A minimal consistency between institutions is necessary for citizens to be able to navigate between families, workplaces, health organizations, criminal justice and a series of other institutional arrangements. To this comes two types of requirements in organizations. They must be able to act fairly rationally and
consistently when interacting with other organizations in a variety of fields, be they financial markets, labour markets, interest organizations or tax authorities. Moreover, organizations are never pure, never solely enterprises, bureaucracies, congregations. In their midst, they also encounter problems of economic, political or cultural nature. In sum, strong integrative forces are at work in modern societies.

But, even if strong, integration is porous; if the notion of a social system is meaningful, it is at least quite unstable. A main point in Michael Mann (1986) is the incongruence of power networks due to their hugely different extensions. As a crude example, a state can regulate processes within its own territory, but not in the same way economic transactions involving national enterprises operating outside its borders. Moreover, how efficient and how consistent are measures for state surveillance, regulation and control, after all? This becomes even more intricate as institutions develop unevenly due to their specific modes of operation. The result of such ‘imperfections’ is a constellation of social institutions in reciprocal change. These observations also throw light on the problem of general conceptions of social change, discussed by Raymond Boudon (1986). He demonstrates that societies as such hardly have a specific mode of change; when societies change, it is their institutions that change. In the long run, the effects of changes originating in, or concentrated in, one institution are manifested as repercussions in other institutions as well. This perspective makes it possible to renounce all-embracing theories and nevertheless describe dynamics in social macro structures as anchored in social action.

In the following, this approach is illustrated by a large number of empirical examples from the present book and the earlier volumes on the Nordic model, and with Norway a typical case. The studies constitute a reservoir of cases of change by institutional interplay. Here, three types are highlighted: (i) The most comprehensive type of change occurs where institutional differentiation becomes clearly visible in novel institutional patterns. This is necessarily a long-term historical process. A typical example is the emergence of the arts as a specific institution, no longer a form of craft production, mostly taking place in the 18th century. Processes of differentiation may also revert into dedifferentiation (Lechner, 1990); in practice, differentiation and dedifferentiation may take place at the same time. (ii) In contrast, short-term changes do not have similar wide-ranging effects. Hence, they are not tracked in obvious changes in institutional patterns but become visible in their mode of functioning. A simple example may be a change in the pension system (a sub-institution in the welfare state) that incites employees to stay longer in paid work (the institution of working life). In the short run, this does not elicit observable changes in institutional patterns in the employment system; nevertheless, in the longer run rules and regulations in enterprises are affected. (iii) Even if intentional or unintentional pressures for change do occur, they may be impeded by incompatibility or resistance in already existing institutional patterns. A typical example may be the negligible effects of foreign aid on social and economic development in countries dominated by clientelism and ‘big man’ politics.
18.1 Differentiation and Dedifferentiation

18.1.1 General Effects of Differentiation

Differentiation as such – that is, the growth of the number of basic institutions and more specific institutions – may in itself yield important social outcomes. One case described in the present volume is the effects of differentiation on the freedom of citizens, discussed by Aakvaag (this volume). Social differentiation entails increases in the number of options open to citizens; thereby their possibilities for choosing how they want to build their identity and life career are increased. This is a democratic improvement. Simultaneously, differentiation has ambiguous effects on social tensions. It may reduce tensions by separating fields that increasingly stand in opposition to each other, such as religion and science. At the same time, tension may increase. If new structures do not allow individuals to navigate between institutions without losing their capacity to act, or to make meaning in their lives, either institutions break down or individuals collapse. The former is exemplified by the collapse of communism in Europe, the latter most famously illustrated by Franz Kafka's *The Process*. Even when institutional compatibility is upheld, tensions between institutional demands belong to everyday life. Antinomies, like those between the economy and family life, between national government and local communities or between health care and bureaucracy, may be handled differently, but they do not disappear.

18.1.2 Emergence of New Institutional Elements

Processes of differentiation always take specific forms (Colomy, 1990). When new institutional elements first occur, they are in an undeveloped form; they evolve over time and have their own history. A spectacular, if rudimentary, institutional renewal was the introduction of suffrage, which took place both in the United States and in Norway around the year 1800 (Engelstad, this volume, Ch. 17). At the outset, only a minority of the adult population was accorded the right to vote. But when the right to participate in democratic decision-making was achieved by one group, other groups started demanding the same rights, be they property-less men, women or people with a non-white complexion. The long-term consequence of widening suffrage to broader groups of citizens was a change in the conception of citizenship, and thereby the demands of citizens vis-à-vis the state. Moreover, the campaign for broadening suffrage took the form of comprehensive social movements, with lasting organizational changes in civil society as a consequence (Aakvaag, 2017; Mjøset, this volume).

From the Lutheran Reformation in the 16th century and up to the end of the 20th century, all the Nordic countries had a state church (Furseth, 2017). Over most of this period, the king was the undisputed head of the church. But gradually, the
state loosened its grip. Around the mid-19th century, dissenting sects were legally recognized, and low-church movements became a vital religious and political power. In the state church, members of local bodies at the level of the congregation were appointed from below. Over the 20th century the gradual increase in church autonomy resulted in the abolishment of the state church in Sweden, Finland and Norway. Even so, differentiation is not on a par with the French laïcité, as the former state churches still keep important bonds to the state and enjoy considerable economic and political support.

State intervention to regulate work conflicts in the early 20th century Norway (Seip, this volume) took the form of legislating institutions for arbitration. At the beginning, the reform met with moderate success; in the years up to the economic breakdown in 1929, the conflict level actually remained exceptionally high. However, the long-term consequences were significant. The reform established the state as a legitimate regulator in labour market processes. This was to be a condition for the adoption of the Basic Agreement in the mid-1930s, regularizing the relationship between the labour market parties on a more permanent basis (Falkum, 2015). Over a still longer time perspective it paved the way for the role of the state in the tripartite wage formation; moreover the Basic Agreement became a significant element in the building of the welfare state after the Second World War.

The institution of property rights constitutes the other side of the coin in labour conflict as well as in the regular mode of operation in the economy. Property rights belong to a basic bundle of democratic rights and have a long history; they are institutionalized by political processes and vary between societies and over time (Engelstad, 2015). In the Nordic model, property rights have been adjusted in several instances, most importantly with the right of employees of joint-stock firms to elect representatives to the board of directors and the introduction of health and safety committees with fifty-fifty representation of employers and employees. Most recently, gender quotas for boards in public limited liability firms in Norway represent an adjustment of property rights. But adjustments have a limit. Constraints to further adjustments materialized when the ‘socialization’ of commercial banks in Norway and later the Wage Earner Funds in Sweden were introduced and subsequently withdrawn (ibid.).

Between the political institutions and the public sphere a wide set of institutionalized arrangements have been built up in the Nordic countries as well as in other parts of the world. One type of such arrangements is publicly appointed committees where experts, political representatives and bureaucrats meet for broad deliberation. These committees mostly focus on pressing problems and political issues calling for a solution or on future challenges. In a comparative case study of high-level committees in Germany and Norway, Krick and Holst (this volume) point out that such committees can function very well but that they hardly avoid tensions created by the ambition to combine independent expertise, academic or otherwise, with political representativity. In Sweden and Norway, the outcomes of many such
committees are collected in large series of public reports. Thereby they represent a form of deliberation different from the one envisaged in Habermas’s conception of the public sphere (1989).

### 18.1.3 Dedifferentiation

There is a fine line between institutional adjustments as an expression of minimal compatibility between institutions, in the relationship to the state sector or otherwise, and forms of dedifferentiation that comprise a noticeable change in the mode of operation of institutions. The Nordic model, with its heavy emphasis on state intervention, in parallel with political reluctance to reduce institutional autonomy, makes visible a grey zone between the two extremes. Another grey zone is visible where differentiation is not completed, as in the former state churches (see above).

A general case of dedifferentiation is found in Teigen’s analysis (this volume) of the transfer of norms of representation from politics to the economy. Traditionally norms of descriptive representation have been reserved for political decision-making. However, in Norway at the beginning of the 2000s, a norm justifying the regulation of gender balance was made applicable to the boards of several large corporations, most notably the stock-listed companies (Teigen, 2015). A related case of normative transfer between politics and the economy is discussed by Holst (2015) on equity norms in wage formation. The Norwegian system of tripartite wage formation has brought forth uncommon norms of redistribution to justify the reduction of wage differentials between men and women.

The emergence of the tripartite system in the labour market is simultaneously a case of dedifferentiation. Institutional walls between politics and the economy become more porous. A long-term consequence of coordination in wage formation is the emergence of several forms of institutionalized economic-political arrangements (Falkum, 2015). Some of them are activated before the bargaining processes start, in the form of broad consultation and expert committees on the sustainability of the national economy. At the other end, if conflicts remain unresolved, public arbitrators are engaged; in Norway the parliament may even end the dispute by legislation. A further effect of the tripartite system is the establishment of a privileged position for the labour market parties to influence policy-making in such fields as education, health care or pensions (Hagelund & Pedersen, 2015).

A weaker type of dedifferentiation emerges through state support for the arts and cultural life (Larsen, 2017). The comprehensive subvention of culture is found in all the Nordic countries, and most strongly so in Norway, where the culture policy of the state is largely justified by the protection of national cultural production. Large-scale purchases by the state of art works and literature – along with the heavy subvention of theatres, opera and film production – are some of the parts of this policy. The dependence of the arts and cultural life on the state necessarily raises the question of
artistic autonomy: does the one who pays the piper also call the tune? The established
counter-norm is that of arm’s-length distance; what political authorities require from
recipients is active marketing in order to reach new audiences, but when it comes to
decisions on artistic matters, they are supposed to stay aloof. Nevertheless, conflicts
do occur (ibid.) but mostly over the distribution of subsidies to various projects and
art forms. A similar case of conditional dedifferentiation is found in the field of media
policy; the state gives economic support to media to secure the quality of social and
political deliberation. Here the same arm’s-length principle applies, but in a double
sense – both vis-à-vis the state and media owners.

18.2 Dynamic Interplay

When viewed in the short term, institutional differentiation does not become
immediately visible. Thus, to the degree that changes are observable, it is mostly
related to institutional functioning, not so clearly to structural qualities. These
relations may go both ways, to some extent reciprocally. The cases presented below
are sorted according to types of institutions and mechanisms: effects on the political
behaviour of individuals or organizations, patterns of deliberation shaped by the
media and the mode of operation of public agencies.

18.2.1 Political Behaviour

A crucial example is the relationship between the degree of inequality, the educational
system and the level of political knowledge in the electorate. Hesstvedt (this volume)
displays the institutional effects of educational systems and patterns of inequality
on political behaviour. The degree of egalitarianism in both has significant effects
– partly unintended – on political competence in voters. In the next round this also
affects participation in elections. In the same vein, Skorge (this volume) shows that
educational structures affect women’s demand for work-family policies, both as
concerns the prevalence of higher education and the pattern of skill specificity. A
related case, albeit more implicit, is the study of retail trade apprentices by Rogstad
and Reegård (this volume). Here the highly organized working life surrounding
employment relations affects their on-the-job autonomy and loosens strict
de-limitations of employer prerogatives.

Another set of mechanisms is linked to changes on the international scene.
The problems of the financial crisis and the way they were solved by the Norwegian
government had the effect of increased confidence in political institutions, both
within the general public and among national elites. Albeit as one among several
events, this showed up in the subsequent election in 2009 but was still observable
as increased trust in the parliament and the government among Norwegian top
business leaders, even if the change of governing party may also have played a role (Gulbrandsen, this volume).

An additional example of changes on the international scene is Mjøset’s comparison (this volume) of ‘old’ and ‘new’ social movements. Common to the old social movements – the labour movement or the feminist movement – is that their goals were located within the confines of the national state. This entailed an institutionalization of the relationships between these movements and the state as they were able to formulate interests that could be handled directly by politics. The new movements, in contrast, focus on problems and challenges where solutions mostly lie outside the national borders and thus must find their solution in international fora. Thereby the relationship between movements and the state also changes. The new movements are less efficient; they may operate as lobby organizations but have less direct impact on policy formation within their specific fields.

18.2.2 Deliberation and Changes in the Media Structure

The most dramatic change in the media structure in decades is the emergence of social media, with its effects on social and political deliberation. It may be discussed whether the net effect of social media on the quality of democracy is positive or negative; studies point in different directions (Enjolras & Steen-Johnsen, 2017). A case study of the interaction of politicians and voters at the local level (Segaard, 2017) concludes in the positive after showing that social media broadened participation in political discussions among groups that otherwise would be more passive: women, young people and citizens with lower education.

Another crucial change in the functioning of the public sphere is the emergence of the professional information industry (Engelstad, 2017). As with social media, the development is ambiguous – the result is both more and less transparency in the flow of information. Lobbying becomes more efficient, while ministries and public agencies hire information officers to counter attacks from both journalists and lobbyists. One outcome is that the requirement of increased information from the agency affects bureaucratic routines towards more short-term production and presentation of information material.

A field highly influenced by the media is religion (Lundby, 2017). In the Nordic area, churches and other religious sites are only to a limited degree sources of information to the public about religion. Rather, the most common source is the media. This contributes to changing the general image of religion and, in the next round, of articles of faith. Influences also go the other way. Elgvin and Rogstad (2017) point out how the Norwegian media have changed their coverage of religious, and particularly Islamic, issues after the publication of cartoons of the Prophet Muhammad in Denmark and later in Norway. Jihadic threats have a certain effect: even if journalists
and cartoonists do not feel personally threatened, they have changed their mode of presentation of Islamic matters.

18.2.3 Public Agencies

In a broad set of welfare state agencies there is strong pressure to redefine the position of patients and clients into ‘users’ of health and social services. To a significant degree this follows from democratic considerations, the expectation that clients and patients shall be treated as autonomous individuals. In Hagelund’s discussion (this volume) of the challenges of social workers in the social service agency NAV, some paradoxical traits come to the fore. One consequence of the ‘user’ orientation is that the process of and criteria for allocating provisions are changed. The question is no longer solely whether the recipient has a ‘right’ to the provision; the challenge is more a question of mobilizing the motivation of users to take part in social service programmes.

The increased influx of immigrants has had a strong impact on a broad set of public agencies. One critical point is changes in the conceptions of citizenship (Olsen, this volume). Until the mid-1990s the interpretation of citizenship was virtually a non-issue in Norway. Public documents have in subsequent years increasingly focused on citizenship not only as a criterion of social inclusion but drawn a link to the according welfare state rights, while at the same time introducing increasingly high thresholds for acquiring citizenship in the kingdom of Norway. Citizenship is not only a source of rights for its bearers – it has also become a means of control for political authorities.

Another effect of immigration is studied by Nicolaisen and Trygstad (2015), related to labour immigration into special industries in the economy. The influx of workers willing to, or forced to, accept much lower wages than regular wage agreements has created a grey-to-black segment in the labour market. In addition to troubles for workers, this also has considerable effects on the system of labour inspection in Norway, which over the last decades has changed from direct inspection to the supervision of health and security plans in enterprises. This relationship of trust is undermined by unscrupulous employers, something that creates pressure to revert to the old and less-productive system of direct on-the-site inspection.

18.3 Resistance to Change

Equally important as the cases of institutional repercussions are those where little or no change occurs due to resilience or resistance in the environment. Attempts at reforms may show themselves to be impractical as early as their introduction, or they may slowly disintegrate or be expelled in the long run. Resistance may either be indirect, by taking the form of institutional incompatibility, or it may be based in a form of veto power, as envisaged by Mahoney and Thelen (2010, pp. 18ff.).
A clear-cut case of institutional incompatibility are the attempts at broadening local political engagement in the Nordic region by introducing forms of participatory budgeting inspired from Brazil. Even though serious interventions were made in some cities, the effects turned out to be very modest. The example from the city of Fredrikstad demonstrates that the highly elaborate institutionalization of rules and regulations in local and national politics created very strong limits on popular participation in the allocation of municipal budgets (Legard, this volume).

Likewise, the comparative study of resistance in Trøtteberg’s discussion (this volume) of the prevalence of commercialization in the social sector is mostly a case of institutional incompatibility. In Sweden, the commercialization of service provision has been extended very far, in contrast to Denmark and Norway, where resistance has been stronger. A main reason for this dissimilarity is found in the strong position of nonprofit organizations as part of civil society in Denmark and Norway, which has enabled them to fend off market-based actors.

An example of a mixed case is found in the adaption of agreements and legislation furthering employee participation in decision-making. Trygstad and Alsos (this volume) find that legislation and agreements between the labour market parties directly affecting governance routines in the enterprise to a large degree. In contrast, legislation concerning employee health and security is implemented in the overwhelming majority of enterprises. Low degree of implementation is particularly noticeable for the agreements between the labour market parties, even though these are voluntarily adapted and not forced through by legislation. A similar tendency is demonstrated by Hagen (2015), describing the decline of the institution of Corporate Assembly, initially introduced to further economic democracy. A common justification is that the Assembly is experienced as an unnecessary addendum to the structure of decision-making.

The abolishment of the Norwegian ‘socialization’ of commercial banks and the Swedish Wage Earner Funds mentioned above are clear examples of resistance to change by veto power, even though it took several years before the reforms were reversed. An example of a large-scale reform in working life which never was realized is the proposition from powerful Norwegian social democrats to extend the amount of employee representatives on company boards from one-third to one-half (Engelstad, 2015). This, too, was a case where the political adjustment of property rights threatened to undermine their essential traits.

18.4 Institutional Differentiation and Democracy

This Afterword is concentrated on methodological questions of institutional change. But given the theme of the book, the relevance of institutional differentiation to the understanding of democracy deserves a final remark. This is not to deny the usefulness of the three main approaches to institutional change in regard to analyses
of democracy; it is demonstrated by how they are brought to use in this book. However, some distinctive aspects of democracy are best captured by this focus on institutional differentiation.

First is the role of the state in processes of social differentiation. Here a two-way relationship is present. In societies where the state is fairly efficient, it is directly or indirectly connected to the central institutions as a regulator or superordinate, for instance. Just as institutions must be sufficiently compatible with patterns of interaction among citizens, citizen interaction embedded in institutions must be sufficiently compatible with the mode of operation of the state. Even if the relationship between the state and the totality of institutions is necessarily imperfect, it already indicates a close connection between democratic governance and the workings of institutions in macro.

These examples from the Nordic model demonstrate that the state has played an overwhelmingly active part in processes of social differentiation. Even if the selection of cases is somewhat arbitrary, a main tendency often overlooked becomes visible. There is a significant link between the state and the way institutional differentiation is taking place. Thus, when politics to a large degree shape the development of society, democracy is at play. This is true not only when changes affect the political institutions as such, or have a direct effect on the democratic elements of other institutions, but is also relevant for the further institutional repercussions.

Second, what institutional differentiation as a theoretical approach brings forth is a specific image of modern society. A main point that has come out clearly here is that societies are very unevenly delimited entities in a state of continuous disequilibrium. This also means that democracies may turn out to be relatively fragile arrangements, in continuous need of support, maintenance and renewal. If this is the case, relatively resilient institutions constitute important sources of social and political stability.

At several places in this book it has been argued that the broad set of social institutions forms a crucial part of democracy. A challenge in this connection is the problem of power dispersion. If institutions become too tightly integrated, a victim is not only the productive capacity of internal tensions but also the freedom of citizens. If differentiation makes the institutional relations too loose, society disintegrates. The first case mainly implies the loss of negative freedom, the latter positive freedom. A viable modern society rests on both.

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