A Plague on Both Your Houses

How Left and Right Undermined Moral Motivation in the Swedish School System

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Abstract

The potential for institutional arrangements such as financial incentives and other market mechanisms to undermine intrinsic, moral motivation among both "producers" and "consumers" of tax-financed welfare services is demonstrated by two new studies (Wennström 2016a; 2016b). These studies show that the promotion of NPM-like ideas by various left-wing and right-wing agents after 1968 led to the erosion of a professional ethos among Swedish teachers, and that an ill-designed school voucher reform in Sweden, implemented under the banner of NPM, has encouraged moral hazard on the part of schools. This essay presents the main findings of these studies and situates them within a broader literature on the relationship between markets and morality, the problems caused by making the logic of the market economy into a universal model for human affairs, and the potential for ideological ecumenism between the left and right.

Introduction

As the 1980s became the 1990s, the provision of public services in Sweden underwent a transformation from what it once was when the Social Democratic welfare state was at its apogee, "a public monopoly with standardized services and very little scope for individual preferences and choice" (Millares 2015: 209), to a more market-based regime (see, e.g., Molander 2017). Sweden subsequently became one of the Organization for Economic Co-operation and Development (OECD) countries to have gone furthest in implementing market-oriented reforms in the public sector (Hood 1995; Bergh 2014). Thus, Sweden

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- $\,\,2\,\,$ Broadly speaking, the 1960s to the 1980s (Lindvall & Rothstein 2006).

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stands out as a particularly clear example of what Christopher Hood (1991: 3) in a landmark article described as "the rise of 'New Public Management'" (NPM).

Hood's term-NPM-referred to an effort to correct the perceived shortcomings of the "old" public management model, both in moral terms and at a practical level, through the use of (a particular perception of) private-sector norms and techniques (Hood 1991; Dunleavy & Hood 1994). In one variant or another, this agenda became widespread among Western countries after the late 1970s. Anglo-Saxon nations such as Britain, Australia, and New Zealand became the first to adopt NPM, and other countries later followed their lead (Barzelay 2001; Pollitt & Bouckaert 2011). The public sector reforms that were implemented typically included the following seven elements (Hood 1991; 1995): hands-on professional management; explicit standards and measures of performance; output controls coupled with rewards and incentives; disaggregation of units in the public sector; competition in the provision of public services; stress on private-sector styles of management practice; and discipline and parsimony in resource use. Taken together, these measures amounted to a radical "normative model for public administration and public management", maintaining that government should adopt the values of business administration (Denhardt & Vinzant Denhardt 2000: 551).

By the early 1990s, this "striking international [trend]" (Hood 1991: 3) had decisively reached Sweden, as NPM, or NPM-like,³ measures were then being introduced in core areas of welfare provision (see, e.g., Hasselbladh 2008; Jordahl & Öhrvall 2013; Lewin 2014; Millares 2015). For example, according to Hood (1995: 98), "doctrines of 'pay for performance' took a strong hold" in Sweden.

Since Hood's seminal article that established the term NPM more than 25 years ago, a large field of scholarship on the nature of NPM and its practical impact on public administration in different countries (including Sweden) has emerged (for a comprehensive review, see Christensen & Laegrid 2010). Within this field, one of the most recurring themes has been the ideological underpinning of NPM, and the almost invariable practice in the literature has been to assume that only neoliberal ideas inspired NPM reforms. An emblematic example of this paradigm is Stephen P. Osborne's (2006: 382) labeling of NPM as "a child of neoclassical economics". In sum, the focus has been on technical and ideological aspects of NPM, while the bulk of the literature has been blind to an arguably more important facet of the development toward NPM, namely, the moral dimension of the market-oriented reforms of the public sector.

The limited literature that exists on the ethical consequences of NPM tends to focus on how to create administrative doctrines that do not foster undesired unethical behavior in public servants, e.g., corruption (see Maesschalck

2004). An investigation of the impact of NPM on other ethical aspects seems to be lacking. However, two new studies offer such an analysis: "A Left/Right Convergence on the New Public Management?" (Wennström 2016a) examines the effects of NPM-like ideas on the professional ethos of Swedish teachers, and "Marketized Education: How Regulatory Failure Undermined the Swedish School System" (Wennström 2016b) explores the effects of school competition in Sweden on knowledge attainment and the perceived value of education among parents and pupils. Together, these studies demonstrate the potential for institutional arrangements such as financial incentives and other market mechanisms to undermine intrinsic, moral motivation among both "producers" and "consumers" of tax-financed welfare services.

My studies (particularily Wennström 2016a) also show from where the values and ideas that underpin NPM as a normative model for public administration might have originated. The political prehistory of NPM is an underexplored subject in the mainstream NPM literature because of the almost invariable assumption that only neoliberal ideas inspired NPM reforms. However, in line with Mats Alvesson's and Jörgen Sandberg's (2011) call for "assumption-challenging research", my studies demonstrate that the antecedents of NPM date back to the 1968 movement and that both the left and the neoliberal right have contributed an ideological basis for NPM reforms in Sweden (and most likely in other countries as well).

This essay will present the main findings of my studies and situate them within a broader political science and economics literature that studies the relationship between markets and morality and analyzes the problems of making the market economy into a universal model for human affairs (e.g., Röpke 1960/1998; Sandel 2012; Nooteboom 2014; Bowles 2016). As the two studies show that both the left and right have paved the way for NPM reforms in Sweden, this essay will also situate their findings within a body of literature related to the left–right political spectrum in political science.

Markets and Morality

It has been the assumption of many political scientists that "behavior is motivated solely or predominantly by the rational maximization of self-interest" (Arnhart 2012: 222; see also Lundquist 2010). In similar fashion, the acquisitive and self-interested "economic man" represented for many decades the dominant view of human behavior in economics (Bhidé 2010; Hodgson 2013; Nooteboom 2014). With Gary Becker as the pioneer, economists commonly used this abstraction as a universal explanation for all human activity. Becker himself (1964; 1976) applied it, for example, to marriage, family relations, and education. Likewise, Gordon Tullock (1976) found the concept of "economic man" pertinent to understanding the motivation of public servants. This focus

on self-interestedness—partly influenced by discussions in biology about how to explain evolution, particularly Richard Dawkins's (1976) notion of "the self-ish gene" (see Gowdy & Seidl 2004)—excluded the issue of morality from the understanding of human action in economics (Hodgson 2013), and increasingly in other social sciences as well.

However, recent years have seen a resurgence of interest in the study of morality, and as scholars from a variety of fields, including economics and political science, have demonstrated, people "are not just interested in absolute gains" (Hibbing & Alford 2004: 63). Most individuals in fact do not behave as "economic man", but have strong moral and social preferences, as revealed by a host of studies involving the Prisoners' Dilemma and other types of experimental scenarios (see e.g., Hibbing & Alford 2004; Bowles 2016). Indeed, people have both the ability and the inclination to suppress selfish behavior in order to form complex societies that presuppose human cooperation (Haidt et al. 2008). They also strive for meaning and satisfaction in their work and their endeavors, which have little to do with shortsighted material gain (Csíkszentmihályi 1992). And public servants—to stay with the example of Tullock (1976)—are often willing to put service to others before sheer self-gain because of an intensely felt "sense of mission" (Wilson 2000) and a commitment to a "professional ethos" (Reeder 2006). Such moral sentiments are neither skin-deep nor culturally subjective. Rather, they are biologically based and universal (Haidt 2012),⁴ and have arguably played a significant role in the course of human evolution (Hodgson 2013).

Yet, despite what has been established about the limits of self-interest, it is recognized in the literature on morality and ethics that moral sentiment can be both strengthened and undermined by institutional arrangements (MacIntyre 1981; Sellman 2011).⁵ The German economist Wilhelm Röpke was an early observer of this phenomenon. While emphasizing the benefits of the market economy, he also noted that "[m]arket and competition are far from generating their moral prerequisites autonomously" (Röpke 1960/1998: 126). In fact, Röpke suggested that markets may have a morally adverse effect on individuals and society, and thus argued for "a sound political and moral framework" (Röpke 1942/1992: 181) to constrain them. He also warned of allowing the standards of the market to spread to traditionally nonmarket activities and realms, as he believed them to be morally corrosive (Röpke 1960/1998).

Röpke's views anticipated later research findings. There is now a large number of studies offering empirical evidence in support of the existence of "crowding out" (see Frey & Jegen 2001), as the debilitating effect on morality of market mechanisms, such as financial incentives, is commonly termed. The classic

 $_{\rm 4}$ $\,$ Moral foundations theory (Haidt 2012) is elaborated on in the next section.

⁵ This is further discussed under the heading "Institutional Theory".

illustration is Richard Titmuss's (1970/1997) study, comparing the voluntary British system of blood collection favorably with the American one, in which payments were then made. Additional examples of how markets have entered areas traditionally governed by nonmarket norms and thereby undermined people's sense of moral obligation and responsibility are offered by Michael J. Sandel in his book *What Money Can't Buy: The Moral Limits of Markets* (2012).

Samuel Bowles (2016) provides further insight into the relationship between markets and morality. His book *The Moral Economy: Why Good Incentives Are No Substitute for Good Citizens* describes experiments that not only confirm that moral motivations may be crowded out by financial incentives, but also reveal the cognitive processes involved. According to Bowles (2016: 95), such incentives "cause ethical reasoning to recede in people's minds". To individuals with preexisting social preferences, incentives may signal that a particular situation corresponds to the market setting, in which we deal with each other in an impersonal, arm's-length way, as suggested by Alan Fiske's (1992) relational models theory, and cause them to "disengage morally". The influential power of names (e.g., "sellers" and "buyers") has been confirmed in many experiments, but incentives alone can provide powerful psychological frames that reduce the salience of moral values and offer justification for immoral behavior (Bowles 2016).

These findings have clear implications for the NPM model. These implications remain largely unexplored in the mainstream literature. Therefore, and considering that financial incentives and other market mechanisms are already widely used in the Swedish school system, the moral consequences of such institutional arrangements appear to be an important research topic. The next section takes us into the literature on the political conflict between the left and right, in which issues of morality may also play a role.

The Left and Right

In political science, the left–right political spectrum represents the standard understanding of political thought and behavior. As Will Kymlicka notes in his introductory chapter in *Contemporary Political Philosophy* (2002: 1–2): "Our traditional picture of the political landscape views political principles as falling somewhere on a single line, stretching from left to right. According to this traditional picture, people on the left believe in equality, and hence endorse some form of socialism, while those on the right believe in freedom, and hence endorse some form of free–market capitalism. [...] [It] is often thought that the best way to understand or describe someone's political principles is to try to locate them somewhere on that line."

While the narrowness of this traditional view in terms of points of conflict between the left and right has often been criticized, Kymlicka (2002: 2–3)

highlights another feature of the conventional left–right political spectrum that is still widely considered relevant, namely, the suggestion that "different theories have different foundational values: the reason that right and left disagree over capitalism is that the left believes in equality while the right believes in freedom. Since they disagree over fundamental values, their differences are not rationally resolvable". [...] This feature of the traditional picture has remained largely unquestioned, even by those commentators who reject the traditional left–right classifications." A large body of research in political science corroborates Kymlicka's propositions.

The latter perspective—that the left and right have different "foundational values"-has for example been highly influential in various studies in political science and political history in Sweden. A classic illustration is Leif Lewin's (1967) study of the "planned economy debate" in Sweden from the 1920s until the 1960s, in which he points to the formation of two distinct political blocs that would redraw the political map into a socialist and a non-socialist wing; one championing state intervention, and the other one adhering to freedom of industry and freedom of the individual. Another example is Kristina Boréus's (1994) study of the neoliberal "right-wing wave" during the 1970s and 1980s, in which she identifies clear ideological (and also linguistic) distinctions between left and right. In her study of the historiography of the Social Democratic Party, Åsa Linderborg (2001) draws similar conclusions in a chapter on the neoliberal response to the Social Democrat description of both its own and Sweden's history. More recently, in an additional study on NPM taking an ideological approach without regard to issues of morality, Matilde Millares (2015: 210) has attempted to "clarify the political cleavages discernible between the two main political opponents in Swedish politics, the Social Democratic Party and the Moderate Party" in the discussion of welfare reforms. Her hypothesis is that what might appear as an ideological convergence of the left and right over the issue of individual choice in the provision of public services since the 1990s, conceals the real and underlying ideological differences that remain largely unchanged between the two political camps.

However, must the left and right always disagree because of their different "foundational values"? In recent years, scholars from adjacent fields have offered perspectives that challenge the traditional political science view of what it means to be on the left and right, respectively. For example, the economist-philosopher Thomas Sowell (2007: 8) suggests that, "[s]ocial visions differ in their basic conceptions of the nature of man", but the two principal visions of man that Sowell outlines are not easy to locate on the conventional left-right axis. The "constrained vision" sees man as limited by a fixed human nature, and believes that what is important is to produce moral and social benefits within that constrained vision. From another point of view, which Sowell calls the "unconstrained vision", man is seen as stymied and corrupted by social

institutions that should be reformed. As arguments over human nature in later years have illustrated (Pinker 2002; Dreger 2016), these visions appear to be able to exist both on the left and on the right side of the political spectrum.

The moral psychologist Jonathan Haidt (2012) argues that human morality consists of a number of basic "moral foundations" or "taste buds", something that has implications for people's political opinions. These foundations are (somewhat simplified): care, fairness, loyalty, authority, and sanctity. A sixth moral foundation, liberty, has also been suggested (Iyer et al. 2012). According to this literature, American liberals tend to endorse care, fairness and liberty, while U.S. conservatives endorse all the moral foundations (with an emphasis on loyalty, authority and sanctity). Similar results have been reported among students in Sweden (Nilsson & Erlandsson 2015); yet it is plausible that actors on what is conventionally seen as the left and the right side of politics could endorse the same moral values and, thus, similar policies. Indeed, social policy debates in recent decades, e.g., conflicts concerning immigration, marriage, and military conscription, seem to reflect such convergence.

Against this background, it seems relevant to explore the political prehistory of NPM, and see whether or not neoliberal ideas alone inspired NPM reforms in the Swedish school system as has generally been assumed. However, before I present the findings of my studies in more detail, I will introduce some theoretical concepts that have been useful in my analyses.

Institutional Theory

Douglass North famously defined institutions as "the rules of the game in society or [...] the humanly devised constraints that shape human interaction" (North 1990: 3). More recently, Geoffrey Hodgson (2006: 7) has expanded the definition of institutions to encompass durable social structures that serve not only as constraints but also as enablers of behavior with the "capacity to change aspirations" of agents. Institutions have regulative, normative and cognitive elements, involving formal rules, moral norms, and values (Scott 1995; Palthe 2014).

In Wennström (2016a), I study a case of institutional change. This is the replacement of teachers' "professional ethos", an institution of normative and cognitive character, by NPM, a model of public administration that involves both formal rules and normative principles, as the regulator of behavior in the Swedish school system. As suggested by the historical institutionalist school in political science, ideas have causal properties that can explain institutional change (Blyth 2002; Tønder 2010). In my analysis, I therefore focus on ideas about teaching and education from both the left and right that might have paved the way for NPM in the school system. Ultimately, these ideas reflect wider beliefs on the left and right side of the political spectrum about

institutions and how they are supposed to work. Consequently, they are relevant to analyze in an attempt to explain institutional change.

In Wennström (2016b), I build on those aspects of institutional theory that pertain to the functioning of markets and the creation of incentives for actors in the market, and thus study the relationship between formal rules and moral norms. Economists, particularly of the institutional economics school, have argued that markets cannot and should not be left alone but require appropriately designed institutions to function efficiently (Hodgson 2013; Nooteboom 2014). Since institutions shape moral habits (Ratnapala 2006), they are needed to restrain the negative effects that markets may have, such as the "crowding out" of intrinsic, non-material values and moral conduct from areas in which markets are allowed to operate and to make markets work as well as they can. A lack of appropriately designed, constraining institutions may ultimately lead to moral hazard (Kasper et al. 2013).

"Appropriately designed" is the key term here, because institutional arrangements may also create incentives for morally hazardous behavior, as has been discussed by, among others, the Icelandic economist Thráinn Eggertsson (2005), drawing on Assar Lindbeck's (1995) study of hazardous welfare-state dynamics. Hence, we must study the effects of institutions. This is the analytical lens that I use in Wennström (2016b) in examining the institutional framework of the Swedish school choice system, and the incentives it created for teachers, administrators, school owners, parents and pupils.

Thought Collectives and Thought Styles

The hypothesis presented in Wennström (2016a) is that ideas from both sides of the political spectrum have paved the way for NPM in the Swedish school system, which, as stated above, is in keeping with an historical institutionalist explanation of institutional change. To explore this hypothesis I make use of the biologist Ludwik Fleck's (1935/1979) theory of thought collectives and associated thought styles, which has previously been applied in political-theoretical research in, for example, a study of the development of the neoliberal movement by the historian and philosopher of economic thought Philip Mirowski (2013). A similar, but not identical, approach as Fleck (1935/1979) is also taken in a recent study of the impact of the 1968 movement on the Swedish Lutheran Church, in which Johan Sundeen (2017) describes influential "opinion collectives". Although Thomas Kuhn, in his preface to The Structure of Scientific Revolutions (1962: VII), recognized that Fleck "anticipated many of [his] own ideas" about scientific communities and paradigms, Fleck's contributions to epistemology were largely forgotten until the 1980s (Sady 2016). Today, however, Fleck's ideas are applied in various fields, e.g., philosophy and history of science and medicine (Sady 2016).

According to Fleck, new knowledge and new ideas do not arise in individuals alone, but within communities of individuals who interact with each other. Fleck calls these communities "thought collectives" and views them almost like orchestras, in which individual instruments work together in harmony, but instead of symphonies, thought collectives produce collective "moods" and modes of thinking.

Thought collectives can arise in various sectors of society, e.g., within science, religion or politics, and transgress all kinds of social boundaries, including national borders and the barriers of national languages. In fact, according to Fleck (1935/1979: 107), thought collectives do not even presuppose personal relations, because the "printed word, film, and radio all allow the exchange of ideas within a thought community", which he believes the migration of ideas within the world of fashion clearly demonstrates. What people within a thought collective instead have in common is a certain way of thinking, a "thought style" in Fleck's terms. However, the "individual within the collective is never, or hardly ever, conscious of the prevailing thought style, which almost always exerts an absolutely compulsive force upon his thinking and with which it is not possible to be at variance" (Fleck 1935/1979: 41). Thought collectives influence institutions and social values, and can exist during both shorter and longer periods of time. At times, entire epochs live under the influence of a certain thought style (in conformity with Kuhn's paradigms).

In Wennström (2016a), in keeping with Fleck's theory, I group sources that share ideological beliefs into thought collectives centered around the Swedish Social Democratic Party and the Moderate Party, which I schematically call "Left" and "Right". (When grouping my sources—consisting mainly of books—I relied on their rhetoric, the ideological content of their arguments, and the authors' political self-labels.) Inspired by Fleck's (1935/1979) ideas about "the intercollective communication of thoughts", I wanted to explore, and potentially uncover, ideological connections between the left and right. The next section summarizes the result of this approach and of the analysis in Wennström (2016b).

A Left/Right Convergence on the New Public Management? The Unintended Power of Diverse Ideas

In Wennström (2016a), I explore the political prehistory of NPM. Previous literature argues that only neoliberal ideas inspired NPM (Savoie 1994; Greenaway 1995; Rhodes 1996; Ventriss 2000; Ranson 2003; Marobela 2008; Leicht et al. 2009; Bevir 2010; Boston 2010; de Vries 2010; Lorenz 2012; Guerrero-Orozco 2014); even in case studies of countries where left-wing or Social Democratic

governments have applied NPM reforms, scholars claim that neoliberal ideas have been highly significant causal forces (Mascarenhas 1993; Johnston 2000; Dale 2001; Robertson & Dale 2002; Lewis 2004). Keeping in mind that NPM is a set of market-oriented strategies for public-sector reform, it is perhaps not surprising that this assumption regarding the ideological roots of NPM has been made. However, the introduction of NPM in the Swedish school system suggests that this is a myopic view that neglects the involvement of the left. My study demonstrates that the antecedents of NPM, in fact, date back to the 1968 movement, and that both the left and the neoliberal right contributed to the rise of NPM in the Swedish school system by weakening intrinsic motivation among teachers.

In the 1960s, the left claimed that teachers performed an authoritarian style of teaching, to the detriment of children's learning and well-being. Moreover, it was suggested that teachers have personal political agendas that need to be curbed by employing NPM-like techniques, such as financial incentives, increased demands on documentation of what goes on in the classroom, and limiting the teachers' professional autonomy. This critique neglected a well-established ethos among teachers, which emphasized such virtues as duty, fervor, and self-sacrifice, and which was considered the reason why they could be trusted to perform to the best of their abilities with little or no explicit top-down monitoring. Nevertheless, translated books by, among others, the left-wing pedagogues Neil Postman and Charles Weingartner (1969), the socialist theorist Paulo Freire (1970), and the Austrian anarchist Ivan Illich (1971) that claimed that this was the case influenced public debate and public policy at the highest level in Sweden.

The works and ideas of these thinkers were congruous with the school-reform ideas of the Social Democrats. The Social Democrats, too, favored techniques in line with NPM principles to monitor the teachers' work. Together with the public-sector trade unions, the Social Democrats also denounced public-sector ethics and teachers' professional ethos in favor of a more materialistic view of work. The main purpose of such rhetoric, and of new legislation that eroded the imperative for public-sector employees to view their jobs as a vocation, was likely to increase identification among electoral groups in the middle class with the Social Democrats' political agenda. However, ultimately, it contributed to weakening the public-service ethos of teachers and other public servants even further. Yet, a further factor was important to pave the way for NPM in the Swedish school system, and this was a parallel right-wing assault on intrinsic motivation among teachers.

During the 1970s, 1980s and early 1990s, a neoliberal criticism of the public sector emerged in many Western countries. The school of public choice economics, whose ideas were imported into the Swedish public debate, crystallized this criticism in its claim that public servants are "budget-maximizing"

bureaucrats (Niskanen 1971), motivated solely by material gain. Therefore, they must be controlled with NPM methods (Tullock 1976). In a book about choice reforms that greatly influenced the Swedish right, Milton and Rose Friedman (1980) specifically applied the public choice theory about the motivations of public servants to teachers. For purely selfish reasons, the Friedmans argued, teachers had acquired power over education while parents and pupils had lost theirs. Consequently, a voucher reform in the school system (i.e., steering through financial incentives) was needed to force teachers to work in the interests of the "consumers" of education services. Directly inspired by the Friedmans, such a reform was advocated by Sweden's largest center-right party, the Moderate Party, during the 1980s and enacted by the party in 1992.

After this joint assault by the left and right on teachers, their professional ethos was largely dismantled and the way for NPM to enter the school system was thus cleared. As teaching in Sweden became less of a vocation and more of a regular job, there was a need for NPM to replace the old management principles based on professional ethics and intrinsic motivation that were no longer viable.

Marketized Education: How Regulatory Failure Undermined the Swedish School System

In Wennström (2016b), I explore the effects of Sweden's school choice reform on knowledge attainment. Introduced in 1992, the reform is unparalleled internationally in its market liberal design. It allows private actors such as foundations, parental cooperatives and for-profit firms to establish independent schools that operate on the same terms as public schools and are funded through a voucher scheme similar to the one proposed by Milton Friedman more than 60 years ago (1955). The reform was meant to encourage choice among pupils and competition among schools, as its architects in the Swedish Moderate Party, and its supporters in the free-market right generally, believed that this would increase the level of knowledge in both independent and government-run schools.

Previous studies on the effects of school competition in Sweden on educational outcomes seem to have confirmed the belief that both independent and public schools would benefit from a school choice reform (Ahlin 2003; Björklund et al. 2004; Sandström & Bergström 2005; Böhlmark & Lindahl 2015). Concentrating on easily measured outcomes, i.e., teacher-assigned grades and the results of Swedish "standardized" tests, which are also graded by the students' own teachers, they find that the expansion of independent schools after 1992 has improved the results in both independent and public schools. However, as my study demonstrates, these results are impossible to reconcile with the decline of Sweden's results in international standardized tests. The fact that Swedish grades have improved dramatically since the late

1990s while results in objectively graded international assessments of knowledge among Swedish pupils have continuously deteriorated instead provides clear evidence of the existence of grade inflation in both independent and public schools.

My study suggests that this phenomenon should be understood as a consequence of school competition in Sweden, or, more precisely, as a "hazardous adjustment" of behavior (Lindbeck 1995) on the part of schools, parents and pupils to the lax institutional framework of the school choice system. From its inception, the framework has allowed for competition based on phenomena that are unrelated to educational quality, including grading and material and other hedonic rewards.

The center-right coalition government that enacted the 1992 reform introduced the independent schools into a debilitated institutional setting that had been inherited from the previous Social Democratic government, which had decentralized the school system to the municipal level and replaced the old regulatory agency with a new body that denounced regulation of schools. The remaining impediments to grade inflation were then weakened or eliminated by the Moderate Party, which was the party in charge of education policy within the coalition government. Where there had previously been a common core curriculum, schools and pupils were now in effect allowed to decide for themselves on the importance of teaching a knowledge-based curriculum. And where there had previously been standardized tests carrying high stakes for the pupils, teachers were now given full autonomy to assign grades.

As discussed under the heading "Markets and Morality" above, economists, particularly of the institutional economics school, have argued that markets cannot and should not be left alone; markets require appropriately designed institutions to function properly (e.g., Hodgson 2013). Since institutions shape moral habits, they are needed to limit the negative effects markets may have. However, regulation of the (quasi) market for school competition in Sweden was never seriously considered. It was more or less just assumed that market forces would improve the quality of education. But combined with the nature of the quasi market, in which the only way for schools to boost profits is to attract more students, and an evolved preference for inflated grades among parents and pupils, the above-mentioned changes to the school system made it rational for both independent and public schools to compete in dimensions other than educational quality. Instead of an institutional framework that encouraged behavior beneficial to the purpose of the institution, the center-right government created a framework that provided incentives for unsound competition, inviting comparison with the hazardous incentives and lack of appropriate regulation that spawned the U.S. financial crisis of 2008 (Posner 2009; Rajan 2010).

These shortcomings could potentially have been rectified when the Social Democrats returned to government in 1994. However, they, too, believed that

competition between independent and public schools would improve the quality of education and did not take any major steps to reform the system. Furthermore, the Social Democrats introduced a policy that was conducive to making grades a tool for selection into higher levels of education only and not also a motivational incentive to promote diligence and hard work. This resulted in the moral aspect of education being substantially played down and grades being reduced to a kind of currency, the main purpose of which was to get ahead of others. This probably played a part in creating a preference for high grades in return for little effort among parents and pupils together with changing social norms regarding the value of education, and the market setting itself, which Bowles (2016) suggests can create a "moral disengagement" in the minds of consumers.

Concluding Discussion

In two studies I have demonstrated the potential for institutional arrangements, such as financial incentives and other market mechanisms, to undermine intrinsic motivation among both "producers" and "consumers" of tax-financed welfare services in the realm of education in Sweden. The studies have, in addition, investigated the political prehistory of NPM. While the prevailing and intuitive view has been that only neoliberal ideas inspired NPM (a term that passed into general usage in the early 1990s), Wennström (2016a) showed that its antecedents date back to the 1968 movement. Both the left and right contributed to the introduction of NPM in the Swedish school system by weakening moral motivation among teachers.

Beginning in the 1960s, the left claimed that teachers performed an authoritarian style of teaching and had personal political agendas that needed to be curbed by, for example, financial incentives, increased documentation requirements, and limiting the professional autonomy of teachers. Then, in the 1980s and 1990s, the right suggested that public servants, including teachers, were "parasitic", budget-maximizing bureaucrats (Coyle 2011), who needed to be controlled. According to the right, competition and choice reforms in the public sector, e.g., a voucher reform in the school system, would force government employees to work in the interests of the "consumers" of public services.

Both political camps denounced, and ultimately dismantled, traditional public service ethics and the teachers' professional ethos. This paved the way for NPM in the school system as other management principles—already sketched out by the left and right—were needed in the absence of intrinsic motivation, which used to be considered the reason why public servants, e.g., teachers and police officers, could be trusted to perform to the best of their abilities with little or no explicit top-down monitoring. Today, there are tight controls on

teachers and monitoring through documentation, which has reduced the share of work time at school spent on teaching to barely a third. The process that I describe matches the philosopher and political theorist Michael Oakeshott's (1962/1991: 41) observation in *Rationalism in Politics*: "First we do our best to destroy parental authority (because of its alleged abuse), then we sentimentally deplore the scarcity of 'good homes', and we end by creating substitutes which complete the work of destruction."

In Wennström (2016b), I explored the effects of one of the measures proposed to supervise and discipline teachers, namely, the Swedish school voucher reform of 1992, on knowledge attainment and the perceived value of education among parents and pupils. The free-market right had suggested that school competition for vouchers would simultaneously bring teachers under control and increase the level of knowledge among pupils. However, the paper showed that during the same time period in which Sweden's results of international knowledge assessments deteriorated, grades rose sharply, which provides clear evidence of grade inflation. The analysis also showed that the likely cause of this is school competition, because the lax institutional framework of the Swedish school choice system has from its inception allowed for competition based on aspects that are unrelated to educational quality, including grading and material and other hedonic rewards. As in the case presented in Wennström (2016a), a main finding is that the left and right share a responsibility for creating the incentives for grade inflation in the Swedish school system.

Although different in subject matter, both studies have examined the undermining of morality by financial incentives and other market mechanisms in the Swedish education system. To summarize the results, the first paper demonstrated how the promotion of NPM-like ideas by the left and right after 1968 led to the erosion of the teachers' professional ethos; and the second paper showed how an ill-designed school voucher reform, implemented under the banner of NPM, has encouraged moral hazard on the part of the schools and further reduced the teachers almost to mere grade givers.

The contributions of the two studies are as follows. First, they demonstrate an ecumenism between strands of ideas and collectives of agents that can be schematically called "left" and "right", which has almost invariably been overlooked in political science because the conventional left–right spectrum is still the standard model for understanding political thought and behavior. Though the left and right have perceived themselves to be in ideological disagreement, their ideas and arguments regarding the motivation of public servants, and teaching and education, have been surprisingly similar, only clothed in different language. Thus, the left and right have unknowingly steered in the same direction, and that is in the direction of NPM. This observation should open many research avenues not only regarding the introduction of NPM reforms in

other welfare sectors and other countries, but also regarding radical shifts in other political areas in which the left and right have contributed an ideological basis for policy.

Second, building on the previous point, my studies show that there is indeed a political prehistory to NPM. This prehistory has been underexplored in previous research as it has been too easy to assume that neoliberalism alone inspired NPM. However, as shown, left-wing ideas were also important. Future studies might reveal more about the left's contributions. Such a research endeavor could perhaps start from an interesting parallel to NPM provided by Wilhelm Röpke in his work A Humane Economy (1960/1998: 95) that seems to lend support to my hypothesis: "The role of competition in the market economy is to be mainspring and regulator at one and the same time, and it is this dual function which is the secret of the competitive market economy and its inimitable performance", Röpke wrote, and against this background he argued that the reason why attempts in the Soviet Union and Eastern Europe to create a "socialist market economy" would be unsuccessful, was that only one of the two pillars on which the market economy rests is feasible in a system of government planning. This is competition as a stimulant to performance improvement, because taking full advantage of competition presupposes free market prices, independence of firms and private ownership.

As Röpke tells us, in former Yugoslavia, public enterprises were "decentralized" and broken up into independent and competing units to raise productivity. However, because the other function of competition—the function of selection of products and firms—was not present, competition was reduced to simply a "psychological technique", ultimately unable to accomplish what the real market economy does by utilizing the dual nature of competition. "[It] remains a serious weakness in any collectivist economy that competition can, at best, fulfill only one of its functions, and even that less than optimally", Röpke wrote (1960/1998: 97).

Without further comparison, NPM in fact shares traits with the attempts in the old planned economies of the Soviet Union and Eastern Europe to utilize market mechanisms. NPM reformers, too, imagine that the market economy is reducible to a "technique" and that competition and other market principles can be seamlessly adopted by the public sector as stimulants of performance. The strategies that Hood (1991) lists as the seven elements of NPM then become a kind of prosthesis for phasing out failing practices in the absence of selection by competition (as in the real market economy).

Perhaps we find not only further antecedents of NPM in Röpke's argument, but also the root causes of what my studies are concerned with, which is the undermining of morality in the market-oriented school system. In hybrid systems lacking genuine competition such as NPM, "the carrot and the stick are ruthlessly applied" (Röpke 1960/1998: 96), and this leaves little room for ethics.

As the Dutch economist Bart Nooteboom (2014: 58) has observed on this subject, "[i]f one is told what to do one will wonder less what is right to do."

Yet, and this is the third and final contribution of the two studies, it is clear that public administration systems that have adopted market-oriented reforms presuppose certain kinds of moral behavior in order to function in accordance with the principles underlying these institutions. Without its professional ethos, teaching has ground to a halt, and in the absence of an appropriate framework that encourages moral habits there is now school competition in other dimensions than educational quality. Hence, now that NPM is in place, careful consideration should be given to how moral norms and principles can be preserved and reinvented in the NPM setting. Future reforms of tax-financed service production must also reckon with the manner in which institutions and incentive structures affect behavior, and avoid unintended immoral outcomes.

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