

□The alcohol monopoly systems of the Nordic countries have been challenged, and subsequently transformed. The author examines this transformation in terms of collisions of ideologies and political cultures between the Nordic countries and the EU. This transformation process illustrates how market considerations have gained ground over health aspects, and how policy-making to a decreasing extent is controlled through national and democratic processes.

Europeanisation of the Nordic

Alcohol Monopoly Systems

Collisions Between Ideologies and Political Cultures¹

The alcohol control policies of Finland, Iceland, Norway and Sweden have been subject to substantial scrutiny and changes in recent years. The dynamics of this process increased after a new debate on European integration arose in the Nordic countries at the end of the 1980s. After negotiations with the European Union (EU), the Nordic countries decided to commit themselves to the attempts to establish the single market through participation in the European Economic Area (EEA). This decision proved a breaking point in the history of the Nordic alcohol monopolies as the established structures were chal-

lenged and subsequently transformed.² The monopolies on import, export and wholesale of alcoholic beverages were abolished, and the institutional link between the monopoly on production and the retail monopoly was removed. Moreover, the pressure against the remaining retail monopolies grew, as the question of the Swedish retail monopoly's compatibility with European Community (EC) law was brought before the European Court of Justice (ECJ).

The EEA agreement came into force on 1 January 1994, but by that time Finland, Norway and Sweden had already applied for full

membership of the EU. After consultative referendums had been held, Finland and Sweden became members of the EU as of 1 January 1995. The membership agreement was rejected by a majority of the Norwegian people, but Norway still remains a partner of the EEA together with Iceland. The Finnish and Swedish EU membership involves a greater degree of supranational enforcement of Community law (Brofoss 1994). However, the logic of this paper also applies to Iceland and Norway, as the EC legislation forms the basis of the EEA Treaty.

Based on an institutional perspective on political change, the aim in this article is to discuss why and in what ways the shift in the Nordic countries' relations to the EU has affected the Nordic alcohol monopoly systems. Attention will be directed towards the interplay between the national and the European level. The nature of the process by which the Nordic alcohol monopoly systems have been transformed during the 1980s and 1990s is complex and entails both a succession of slow incremental changes, as well as rapid and radical changes. Only the latter type of change, which occurs under special conditions and is connected with what can be referred to as breaking points in history (March & Olsen 1989), will be considered in this article.

First, a brief account of the Nordic alcohol control tradition will be outlined, and in so doing, an institutional perspective on political change will be introduced. Secondly, the challenge and transformation of the Nordic alcohol monopolies will be viewed in light of two collisions, i.e. one of ideologies and one of political cultures between the Nordic countries and the EU. The first collision concerns the differences in policy content and priorities, while the latter refers to contrasts in policy-making styles and procedures. Thirdly, based on the discussion of the two collisions, three recent judgements concerning the compatibility of the retail monopolies will be pre-

sented.

In a broader perspective, this article will illustrate how the challenge to and transformation of the Nordic monopoly systems must be seen in connection to the process in which the EU has become a more significant political community for policies and institutions in the Nordic nation-states, and is thereby related to the concept of 'Europeanisation' (Olsen 1996).

Institutionalisation of Nordic alcohol control

In the Nordic countries, alcohol control became institutionalised throughout the 19th and the 20th centuries, and has developed to be a part of general welfare policy. In this context, 'institutionalisation' refers to a process where resources become bound to values and world views (Stinchcombe 1968, 181-182).

Based on a common set of values, a wide range of preventive strategies have been adopted in attempts to reduce the prevalence of both acute and chronic harm resulting from alcohol consumption. The pith and substance of Nordic alcohol control policy is that alcohol is not like any other commodity, and must therefore be subject to a distinct set of commercial principles. After a period of prohibition, this view became materialised through the establishment of the state-owned monopolies. Despite national variations, the alcohol monopolies on import, export, production and wholesale, together with the retail monopolies on the sale of strong beer, wine and spirits, have constituted a comprehensive instrument of health and social policy in the Nordic countries since the first half of the 20th century.³ This arrangement can be regarded as an historical compromise between total prohibition on the one hand, and free circulation of alcoholic beverages based on the logic of "laissez-faire" on the other. The focus has been on reducing alcohol-related harm and regulating

the total consumption of alcohol in society, and the guiding principle behind the monopolies' activities has been to eliminate private profit motives from alcohol trade (Mäkelä 1988).

In order to understand why alcohol became subject to public control, one must keep in mind that in the Nordic countries its social function is mainly as a drug for intoxication, rather than being an aspect of daily nutrition. Temperance has therefore been considered to be one key to a better life, a sign of high social morality and general welfare (Mäkelä & Tigerstedt 1993, 193). As a consequence of these specific values and resources, but also as a result of the way they have been bound together, a distinctive alcohol control policy model emerged in the Nordic countries. This model is rooted in the nation-building projects, and the emergence of public alcohol control is associated with strong social forces such as the labour movement and the temperance movement.

Through a political culture that is characterised by broad public participation and integration of organised interests in policy-making, public alcohol control became an integral part of the Nordic political order. This political order is embodied and protected by a vast diversity of institutions, which together constitute the main elements of what has been referred to as "the Nordic institutional configuration" (Olsen 1996). In the Nordic countries, the state owned alcohol monopolies have held historically important positions in their political orders, and as institutions, they have been "carriers of basic codes of meaning, value commitments, symbols, and causal beliefs" (Olsen 1996, 251).

From an institutional perspective, the understanding of contemporary institutional changes requires knowledge of the formation processes and the history of the institutions concerned. This provides analysts with a picture of an institution's identity and integrity,

which institutions seek to protect by simultaneously absorbing and responding to environmental changes and reforms. Harmonious institutional development based on incremental changes (small steps) may be said to be the most common, but more radical and rapid transformations (big leaps) do also occur. Changes consistent with an institution's identity, traditions and dynamics are likely to be continuous and incremental, while changes in opposition are likely to be episodic and problematic (Olsen 1996). In this article the rapid and radical challenge to and transformation of the Nordic alcohol monopoly systems will be viewed in light of some comprehensive environmental changes that can be ascribed to the process of Europeanisation.

Collisions between ideologies and political cultures

The understanding and interpretation of different institutional arrangements will tend to vary according to differences in cultural, social and political settings. The transformation of the Nordic alcohol monopoly systems may thus be seen in light of two collisions between "major institutionalized rule sets, identities, interpretations and accounts of the world" (Olsen 1996, 271) between the Nordic countries and the EU.

The collision of ideologies was seen when an instrument of health and social policies was contested with reference to the free market, undistorted competition, and the "four freedoms". This permits understanding of why the Nordic alcohol monopolies were challenged and transformed.

The collision of political cultures is illustrated by the fact that institutions and decision makers that, to some degree, were shielded from democratic politics and elections were the dominant actors in this process. This permits understanding of the ways in which the monopolies were challenged and transformed.

Collision of ideologies: health versus market

The overriding purpose of the Nordic alcohol monopoly systems has been to restrict the availability of alcoholic beverages in order to protect the citizens' health, safety and welfare. The competence as regards these issues remain mainly vested in the hands of the national governments. The task of the EU is to support the Member States' in their efforts on public health, and to contribute towards ensuring health protection (Articles 3 and 129 of the EC Treaty). Therefore, the question is, why did the Nordic countries have to abolish the import, export and wholesale monopolies that were regarded as important health and social policy instruments?

The argument is that health considerations conflicted with the primary objective of the EU, which is to create a single market where people, goods, services and capital can move freely. From an EU point of view, the alcohol monopolies distorted competition and free trade, which could have adverse effects on the single market.

Compared to the situation in the Nordic nation states, the welfare-state aspect has not been given the same priority in the EU. Attempts to construct a "social dimension" have created conflicts, and have been depicted as a "saga of high aspirations and modest results" (Leibfried & Pierson 1996, 188). The single market is said to be the EU's institutional centrepiece, and the principal European project is one of market-building (Olsen 1995). The logic of the single market has spread to other areas of policy (Majone 1994), and has played an important role in the process disabling the Nordic alcohol monopoly systems.

The alcohol monopoly systems were challenged shortly after the signing of the EEA Treaty in May 1992. From an EU point of view, the import, export and wholesale monopolies were said to be the most worrying. Despite different responses from the Nordic

countries to this challenge, a partial abolition of the monopoly system was regarded as problematic, and it was clearly in opposition to the alcohol monopolies' identity, traditions and dynamics. First of all, it was claimed that a partial abolition would signal a liberalisation of alcohol policy in general. This could in turn contribute to the legitimisation of increased consumption of alcohol by the general public, and thereby result in increased health and social problems. Second, it was believed that a partial abolition would increase the power of private actors with profit motives in the alcohol market. Over time, this could lead to a weakening of the potential for control.⁴

However, these arguments were not regarded as strong enough to retain the established monopoly structures. This is evident from the opinions on the Finnish, Norwegian, and Swedish membership applications. The Commission made it clear that protection of public health "could not be allowed to obstruct free trade unless there was absolutely no alternative", and that the health objectives sought by the alcohol monopolies, could in fact "be achieved by other means less obstructive to competition" (from the advisory opinion on the Finnish membership application, dated 4 November 1992).

At that time, the Nordic countries were also employing a great variety of other instruments in their national alcohol policy programmes, such as high levels of taxation, complete or partial bans on advertising; age-limits on purchasing and selling, restrictions on selling hours, rules governing licensing permits for restaurants, and general health information about the harmful effects of consumption of alcoholic beverages. These means, together with the monopoly systems, were said to "constitute a carefully arranged network of instruments in which there is a balance between free movement of goods and a restrictive alcohol policy" (Letter from the Norwegian Ministry of Foreign Affairs to EFTA Surveillance Au-

thority, dated 5 October 1994). The Nordic countries still employ a wide range of these instruments in their national alcohol policy programmes; however, participation in the EEA overturned the former balance. In the EU, considerations of health, social and welfare take the backseat when confronted with free market logics.

The challenge and transformation of the Nordic alcohol monopolies must also be viewed in light of more alcohol-specific differences. In the EU, alcohol is mainly defined within the boundaries of agricultural and industrial policy, and is less seen to be in connection with health and social policy considerations. The EU has not developed any common alcohol policy, and the concept does not even exist in most of the Member States (Fahrenkrug 1990). State-owned alcohol monopoly systems were not a part of the institutional configuration of the EU, nor in any of the Member States prior to the enlargement of 1995. As regards alcohol control, the Nordic countries' and the EU's accounts of the world clearly clash.

Hence, the collision between health and market principles can be seen as a factor in the questioning and transformation of the Nordic monopoly systems. A second collision between political cultures deals with the process that led to the partial abolition. This process was not anchored in a democratic policy-making culture similar to what has been said to be the tradition in the Nordic countries (Gidlund 1993, 201-202). In order to develop this line of reasoning, one has to study the key actors and dynamics in this process.

*Collision of political cultures:
democratic accountability versus efficiency⁵*

To a large degree, the legitimacy of the EU may be said to be functional, i.e. derived from its ability to cope with a complex and changing world where efficiency is the main norma-

tive criterion (Olsen 1996, 267). Practical results have been the basis of legitimacy, and less emphasis has been put on the development of democratic structures and procedures. The debate about the EU and its alleged "democratic deficit" has thus received much attention. The exact content of this concept is unclear, but some aspects may be identified.

In comparison with what is the case in the Nordic countries, public opinion as well as organised interests play a less significant and more indirect role in policy-making processes in the EU, and lobbying has been dominated by big business enterprises (Andersen & Eliassen 1991). The powers of the European Parliament are weaker than those of the Nordic national legislatures, and the Commission is often portrayed as the heart of the EU. The Commissioners are appointed according to different national quotas, rather than being approved through a democratic process. Since the Single European Act (SEA) of 1987, qualified majority voting is more frequently used by the Council, thus enlarging the scope for the Commission to devise proposals that can get past the opposition of a few member governments (Wallace 1996).

The ECJ undertakes a role as an active force in the direction of achieving the political aims of the EU, and this role has been expanded by establishing legal supremacy over national legislation. Some of these features may be recognised in the process against the Nordic alcohol monopolies.

After the EEA Agreement had been signed, it emerged that the Nordic governments had a perhaps unrealistic belief that the established alcohol monopoly structures could be maintained, as it was claimed that they were neither distorting competition, nor discriminating between nations or products from different states. However, the Commission and the ECJ have a tradition of applying "extremely tough tests before finding that a national regulation is neither discriminatory nor a disguised re-

striction on trade" (Scharpf 1997, 34).

By reference to established case-law of the ECJ, the Commission made it clear that instead of a system with import and wholesale monopolies, "there exist other forms of regulations available which would be less detrimental to trade but pursuing the same goal" (from the advisory opinion on the Norwegian membership application, 24 March 1993). In this statement, the Commission indirectly refers to the principles of proportionality. The idea here is that the measures used must be in proportion to the ends sought. If alternative measures are available, the measure that causes the least hindrance to the free movement of goods must be preferred. In this case, the comprehensive state-owned monopolies were considered a disproportionate means to protect public health.

The burden of proof as to proportionality fell on the Nordic countries, but the assessment was a political matter. The principle of proportionality, among others, has been elucidated by the ECJ through a number of successive rulings (Wallace 1996), which illustrates that the role of the ECJ is wider than just that of interpretation and enforcement in individual cases. To some degree, the Nordic alcohol monopolies were outlawed before the matter was brought before the Court. By endorsing a set of values to underpin European governance (Weiler 1992), the ECJ has a pervasive impact on the ways in which policy options are defined (Wallace & Young 1996, 128).

The ECJ and the EFTA Court have played a crucial role in the process against the Nordic alcohol monopoly systems through the established case-law. The Courts have also pronounced judgements in cases that directly deal with the Nordic alcohol monopolies. The import and export alcohol monopolies were found to be incompatible with the EEA Agreement by the EFTA Court in December 1994 (Case E-1/94 Ravintoloitsijain Liiton Kustannus Oy Restamark). In the case against

the Swedish retail monopoly (Case C-189/95 *Allmänna Åklagaren v Harry Franzén*), the Advocate General held that the Swedish retail monopoly was incompatible with EC law. The argument here was that protection of people's lives and health can be achieved by means that do not restrict the free movement of goods to the extent practised by the retail monopolies. In a statement given to the ECJ prior to the Advocate General's opinion, the Commission did not consider the retail monopoly's activity to be in contradiction with Community law if it was functioning in a nondiscriminating manner. The ECJ's role as a 'market police' is important to note here (Leibfried & Pierson 1996).

In many respects, this process has illustrated how the policy-making style of the EU puts the ECJ at centre stage. This kind of policy-making, where politically elected representatives at the national and the EU level undertake the role of observers without much political power, gives rise to accountability problems. In this way, liberalisation can be extended without much political attention (Scharpf 1996, 15). This logic has been recognised in the process which resulted in a partial abolition of the Nordic alcohol monopoly systems.

Retail monopolies and public health

During the second half of 1997, three judgements concerning the compatibility of the retail monopolies with the EC legislation were delivered. These cases were brought before the EFTA Court and the ECJ after requests for preliminary rulings had been made by national courts in Norway and Sweden, respectively.

Case E-6/96 (*Tore Wilhelmsen AS vs. Oslo Kommune*) concerns the validity of the exclusive right of the Norwegian retail monopoly (*Vinmonopolet*) to sell strong beer. The EFTA Court held that such an arrangement was compatible with the EEA Treaty, and therefore could be maintained. Under Article 13 of the

EEA Treaty, which is identical in substance to Article 36 of the EC Treaty, restrictions on the free movement of goods can be justified when they are necessary and proportionate with respect to the protection of the health and life of humans. In this case, the EFTA Court found that Article 13 was applicable. This judgement was in several ways path-breaking. Health considerations were strongly emphasised, and the retail monopoly was not regarded as a disproportionate measure in order to protect public health.

Case C-189/95 (*Allmänna Åklagaren v Harry Franzén*) arose after a Swedish court (*Landskrona Tingsrätt*) put in a request for a preliminary ruling on whether the alcohol retail monopoly held by *Systembolaget* was compatible with the Treaty of Rome. The judgement, delivered by the 15 judges of the ECJ on 23 October 1997, was not in agreement with the opinion of the Advocate General. The ECJ held that the alcohol retail monopoly could be maintained. The health aspects were not stressed to the same degree as in the EFTA Court judgement (E-6/96). Despite this, the ECJ emphasised that the Swedish retail monopoly pursues a public health aim. However, the most important argument for the monopoly's maintenance was that the functioning of the retail monopoly is neither discriminatory nor liable to put imported products at a disadvantage.

The EFTA Court has also dealt with another case concerning the functioning of the Norwegian retail monopoly system (Case E-1/97 *Fridtjof Frank Gundersen versus Oslo Kommune*). In this case, the question was whether the exclusive right of the state-owned monopoly to retail wine is compatible with the EEA Agreement. While wine in Norway can only be sold off-premises by the state-owned monopoly, beer with an alcohol content of lower than 4.75 per cent by volume can be sold in ordinary grocery shops which hold a valid license. The key question that the EFTA Court

had to consider was whether wine imported from EC Member States or EFTA States was discriminated against in relation to medium-strength beer, which is largely produced in Norway. The Commission and the EFTA Surveillance Authority (ESA) advised the EFTA Court to find the Norwegian system discriminatory, and therefore incompatible with the EEA Agreement. The judgment of the Court departed from these opinions, and it emerged that in Norway wine will still have to be purchased in the retail monopoly stores. However, the Court also emphasised that the Norwegian system may lead to discrimination, hence in this process the final word has probably not been given.

These three cases clearly illustrate the collision of political cultures. Important decisions are taken in isolation from traditional political processes. Again, the Courts are at centre stage, thus stressing the problems of accountability. The logic behind the collision of ideologies is not so clear-cut. In these three cases, the Courts held that the retail monopolies were allowable even if they caused restrictions on the volume of sales of alcoholic beverages. Nevertheless, the arrangement should not give rise to discrimination between domestic products and products imported from other Member States. Even if the retail monopolies can be maintained, the collision between health and markets in connection with alcohol control is still apparent. In Case C-189/95, the Court held that the licensing system on import of alcoholic beverages was not proportionate to the public health aim, and that this aim could be attained by measures less restrictive of intra-Community trade.

Conclusion

The challenging and transformation of the Nordic alcohol monopoly systems must be viewed in light of shifts in the relations between various national actors, but also be-

tween the national and the European level. On the national level, political ideologies and social groups that throughout history have legitimated and supported the alcohol control systems have lost much of their stronghold in the Nordic societies. This trend must be viewed in light of shifts in the relationship between the public and the private sphere within the Nordic countries. More specifically, it emerges that the pendulum has swung towards private individuals' self-regulation at the cost of centralised and formalised alcohol control. This process, which is characterised by small steps of change where over the long term existing practices and structures have been substituted with new-ones, has not been considered here.

The focus in this article has been a big leap in the history of the Nordic alcohol control tradition. The partial abolition of the alcohol monopoly systems has been regarded as an outcome of a "mismatch" between the institutional identity, traditions and dynamics of these systems and the Nordic countries on the one hand, and the characteristics of the EU on the other. In this context, the Nordic alcohol monopoly systems, taken as given over a long period of time, became confronted with the threat of institutional breakdown. A gap between the established monopoly structures and the obligations arising from the EEA Agreement had emerged. This gap could not be filled by incremental changes, but led to a radical and rapid change in the Nordic monopoly systems. The import, export and wholesale monopolies were abolished, and this transformation can be viewed in light of two collisions, between ideologies and between political cultures. Despite the fact that the Swedish retail monopoly was found to be compatible with the EC Treaty, these two collisions were also apparent in this process.

All in all, the EU has become a more significant political community for policies and institutions in the Nordic nation-states as a re-

sult of the preparations for, the negotiations over and the obligations resulting from both participation in the EEA and EU membership. The result of this process has been more market and less national and democratic control, and to a larger degree policy options rest on legal authority. The challenge and transformation of the monopoly systems is not the only sign of this process. The price and taxation system has also been put under pressure as a consequence of the adaptation to EU rules on private importation of alcohol by travellers. In this process also the dynamics of the negotiations bore evidence of collisions between ideologies and political cultures between the Nordic countries and the EU.

NOTES

1. This article is a revised version of a paper given at the 23rd Annual Alcohol Epidemiology Symposium of the Kjetil Bruun Society for Social and Epidemiological Research on Alcohol, Reykjavik, Iceland, June 2-6, 1997.

2. In this article, the "Nordic countries" refers to Finland, Iceland, Norway and Sweden. Denmark has a more liberal alcohol policy tradition, and no alcohol monopolies. Knudsen regards this difference as one example of how "the use of compulsory measures has lesser importance in many aspects of the Danish welfare- and health administration than among Denmark's Nordic neighbours" (1993, 287).

3. Sweden (The Bratt System: 1919), Iceland (1921), Norway (1922) and Finland (1932).

4. These two points are drawn from the Norwegian and the Swedish defence of the alcohol monopoly systems. Two documents are central in this respect. For Norway; the letter from the Norwegian Ministry of Foreign Affairs to the EFTA Surveillance Authority, dated 5 October 1994. For Sweden; an information brochure by the Ministry of Health and Social Affairs called "The Swedish alcohol policy – Caring about people's health", 1993.

5. It may be hard to identify one EU political culture, since the EU consists of different nation-states with dissimilar cultures. Still, it may make sense to identify some norms that are associated

with the policy-making culture of the EU. This will be the base for the discussion in this section.

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Summary

Trygve Ugland: *Europeanisation of the Nordic Alcohol Monopoly Systems. Collisions Between Ideologies and Political Cultures*

The decisions of Finland, Iceland, Norway and Sweden in 1993 to participate in the EEA, implied that the EU had become a more significant political community for policies and institutions in the Nordic nation-states. By reference to the obligations of the EEA Treaty and the EC Treaty respectively, the established alcohol monopoly systems in these countries were challenged by the EU and subsequently transformed. This transformation represents a

break with the identity, traditions and dynamics of the Nordic alcohol monopolies. An examination of two collisions between ideologies and political cultures associated with the Nordic countries on the one hand, and the EU on the other, increase the understanding of why and how this transformation occurred. This process illustrates how market considerations have gained ground over health aspects, and how policy-making to an increasing extent is characterised by less national and democratic control.

Key words: alcohol monopolies, Nordic countries, Europeanisation, ideology, political culture