

## **DANISH SOCIAL DEMOCRACY AND "THE THIRD WAY"**

By Nick Gier, Professor Emeritus, University of Idaho

([nickgier@adelphia.net](mailto:nickgier@adelphia.net))

It was June, 1978, and I had just arrived in Denmark for my first sabbatical leave. My Danish wife and I had just settled in for the year with our five-year-old daughter, Christina.

One day I received a call from a local social worker who informed me that Christina was eligible for child support, a monthly stipend that every child in Denmark receives. I told the nice lady that both Christina and I were Americans, so I did not think it was fair that we receive this money.

I assumed that my polite rejection was the end of the matter. When I looked at my first bank statement, I saw a deposit for \$50 in the account. At that point, I surrendered to the Danish welfare state. I was on half salary, the exchange rate for the dollar was the lowest ever, so the extra money was very much appreciated.

The Danes, as well as most other Europeans, believe that the best way to support family values is for the government to invest in them. During the late 1970s, the Danes were alarmed about their teen abortion rate, still very low compared to U.S. numbers. A well executed government program brought the rate down substantially. In 2002 24.4 percent of American pregnancies ended in abortion, as opposed to the Danish 19.4 in 2003.

Danish investment in human capital is also heavy in education. European and Asian students score consistently higher on standardized tests than American pupils. Even Danish private schools get full state support as long as their teachers are accredited by the education ministry. There is no tuition at Danish Universities and students receive \$500 per month as long as they keep up their grades.

The Danish government also invests heavily in the arts. Danish ballet has enjoyed an international reputation since the late 18<sup>th</sup> Century, and several hundred dance and theater students enjoy tuition-free training at the Royal Theatre.

Since the middle 1980s, Denmark has had a series of center-right governments, but they left the welfare state essentially in place. While they did cut back on pensions and limited unemployment benefits to four years, Danes still paid on average 50 percent

of their income in taxes. Low business tax rates have always encouraged private enterprise.

The Social Democrats, who ruled since the 1930s, came back to power in the 1990s, privatized the national telephone company, and invested 4 percent of GDP in job training. (The U.S. spends 1/20 of this amount on similar programs.) The result is an unemployment rate of 3.6 percent, one percent lower than the U.S. As in most other European countries, unemployed Danes draw 90 percent of their previous salaries.

Our unemployment rate would be at least one percent higher if our incarceration rate were as low as Denmark's. In 2002 there were 668 prisoners for every 100,000 Americans. In stark contrast Danish prisons hold 59 per 100,000.

Primarily because of its large budget and trade deficits, the US has dropped from first to sixth among the world's most competitive economies. Significantly, seven of the ten top competitive countries are European welfare states with highly unionized workforces. Denmark is fourth on this list and it is currently running a budget surplus of .65 percent of GDP, while the U.S. is running a budget deficit of 4.5 percent of GDP.

Whenever my daughter and I stayed in Denmark, we received the same medical coverage as every Dane. America spends more than twice as much per person than Danes do for medical care, but we have some of the poorest health statistics in the industrialized world. Recent surveys demonstrated that 91 percent of Danes were satisfied with their health care, but only 40 percent of Americans said that they were.

American infants die at a rate of 6.9 per 100,000, while only 4.4 Danish babies do. For every three obese Americans, there is only one Dane who is overweight, even with a diet heavy in dairy products.

The U.S. per capita GDP is still the highest in the world at \$39,732. The Danish figure is \$31,932, but a number of factors weigh in favor of the Danes. First, like their fellow Europeans, they work far fewer hours than we do; and second, if you take the super rich out of the calculation, then average Danish wealth goes way up.

With a poverty rate of 4.3 percent, Denmark is tied with the Czech Republic for the lowest rate. The U.S. rate of 17.1 percent is second worst behind Mexico.

Some have said that the Danish advantage is due to a homogenous population with no ethnic divisions, but over the last 20 years Denmark has received more

refugees per capita than any other country in the world. Just as in other European countries, there has been, unfortunately, a nativist backlash against these immigrants.

Another critic said that one cannot compare a small 5 million-member economy with 300 million Americans. But socialized medicine gets the same results in Germany and France, and underfunded U. S. job training programs have always competently administered from Washington, D. C.

The European welfare states have sometimes been called the Third Way. It is a political philosophy that tries to build a middle way between free market capitalism on the one hand and socialism on the other. When the new Democratic Congress convenes, I propose that they take a few tips from Denmark, one of the great champions of the Third Way.