

Monkey Cage

## Bernie Sanders says Denmark is socialist. Forbes Magazine says it's the most business-friendly country. Who's right?

By **Henry Farrell** November 11

When Bernie Sanders said in his debate with Hillary Clinton that Denmark was a socialist country, which the United States ought to consider emulating, it created a big debate. Danish Prime Minister Lars Løkke Rasmussen [weighed in](#), saying that his country had a market economy, not a planned economy.

Cathie Jo Martin and Kathleen Thelen are scholars of comparative political economy who have recently written books that talk about the Danish model. Martin is a professor of political science at Boston University; her book with Duane Swank, "[The Political Construction of Business Interests](#)," asks why businesses in countries like Denmark are willing to work with social partners to shape active policies on labor. Thelen is the Ford professor of political science at MIT. Her book "[Varieties of Liberalization and the New Politics of Social Solidarity](#)" examines how Denmark has found a way to deal with global market pressures that eludes many other European countries. The interview has been lightly edited for style.

*Henry Farrell: Denmark's prime minister says that Denmark is not a socialist country and that Denmark is a market economy. How does the Danish model differ from stereotypes of "big brother socialism"?*

Kathleen Thelen: Where to start? When people think of the "Danish model" they tend to think first about the country's generous social policies, and assume that the point of all of this is to protect people from the market. This is wrong: Danish labor markets are [very flexible](#). The difference with the United States is that [Danish] labor market policies are precisely designed to move the unemployed into training programs that enhance their marketable skills. This helps them reenter the labor market as soon as possible and is the core of the country's famous "flexicurity" model — high flexibility in the labor market combined with extensive state support for skill development. Denmark spends more on active labor market policies than other OECD countries, far and away more than the United States, which is a laggard in this respect, as the graph below shows.

Cathie Jo Martin: I agree! Denmark is the most egalitarian country in the world, but in December 2014, Forbes (once again) ranked Denmark as the best country in the world to do business. (The U.S.

ranking was 18th.) The country's formula for growth is a high level of workforce skills and extensive cooperation among employers and workers to support labor market flexibility. Denmark experienced slower growth rates after the financial crisis, but these largely reflected poor policy decisions about the housing market that had little to do with the core features of the Danish growth strategy.

*H.F.: What are the key institutions underpinning Denmark's flexible approach to helping workers and firms deal with changing market conditions, and how do they protect workers while retaining flexibility?*

K.T.: The most important institutions underpinning this flexible approach are those that help both young people and adults develop skills. Denmark has an extremely well developed system for initial vocational education and training (for youth) – well supported both by employers and the state. This is one reason why Denmark's "NEET" rate (the number of young people Not in Employment, Education or Training) is comparatively [low](#). Beyond this, though, the government also supports ongoing skill development for adults, as well– and not just for the unemployed. Denmark is a leader in adult education –providing training courses that are easily accessed, generously supported by the state and widely available to anyone who wishes to enhance his or her own skills. This is why Denmark has one of the [highest rates of participation](#) in adult education and training in the world. Rapid technological change makes it important for all adults to be able to upgrade their skills flexibly and throughout their working lives. This is not big brother socialism. This is really smart capitalism.

C.J.M.: Retraining and vocational training policies both support "flexicurity." The first retools workers whose skills are becoming outdated with changing economic conditions. Workers may be easily laid off from their jobs but the government will quickly move them into training programs and then back into the workforce. For example, in 2011 Denmark spent about five percent of its GDP on training, compared to the U.S., which spent less than one percent.

Danish employers like these retraining policies. For my book, I interviewed 107 randomly selected companies in Denmark and Britain about their participation in government retraining and jobs schemes, in which employers hired long-term unemployed workers. British firms participated for cheap labor and good relations with government. There, businesses with low-skill workers and large sales to the public sector were significantly more likely to participate. In contrast, 68 percent of the Danish firms participated in the programs (compared to 40 percent of the British ones), and the Danes believed that the programs could help fill real labor needs.

Vocational training also supports flexicurity by providing a high level of skills to non-academic workers. Yet in recent years, fewer young people have entered the vocational track, both because they view academic credentials as more appropriate to the knowledge-intensive society, and secondary school drop-out rates have risen. Consequently, in 2014, vocational training was reformed to make it

more relevant for the post-industrial economy. The reform introduced greater flexibility for high-skilled workers, better basic skills and easier transition into tertiary education. It also expanded shorter courses for workers with more limited skills.

*H.F.: You both argue that the Danish model of flexicurity has been much better able to build labor market protections that cover all of the workforce, than other European states such as Germany (where protections are concentrated on traditional industrial workers). Why has Denmark succeeded better in building these protections?*

C.J.M.: Denmark has very strong, broadly representative national employers' associations and unions that have developed many labor market and social policies since the late 19th century. Although these groups play a smaller role today in negotiating wages through collective bargaining, they remain powerful in policy-making processes. The major groups representing the "social partners" forge agreements in tripartite committees established by ministries and special commissions established by parliament. For example, the Danish active labor market programs were created through a labor market commission (Zeuthen Udvalg) composed of representatives of the major associations, party representatives and bureaucrats. Insiders reported remarkably little disagreement within the commission, and roughly 80 percent of its recommendations subsequently became law.

This means that many fewer public policies are developed through the legislature in Denmark than in the United States. A representative of a major employers' association once told me, "Business and labor are like Siamese twins." They both want to build efficient labor market policies and retain their influence over policy-making. Because public policy is largely set by stakeholders rather than by politicians, regulations are transparent, broadly applicable, sensible and enduring. Politicians seeking a "bridge to nowhere" to help win an election don't get a seat at the table.

K.T.: Yes, clearly part of it is just that the Danish movement is much stronger and more more representative of general workers' interests than the U.S. labor movement. Low-skills workers are thus better represented in politics and enjoy much higher levels of collective bargaining coverage than in the U.S. But beyond this, Danish governments of all political stripes clearly understand that skill development is absolutely essential to economic success in the new "knowledge economy." All market economies face the problem that some crucial collective goods will be underprovided – or not provided at all! – if they only rely the private sector. Skills are one such collective good. Individual firms have good, self-interested reasons not to invest heavily in training of workers who may or may not stay in the firm long enough for the employer to reap the benefits of the investment. To provide collective goods like a highly skilled workforce, we need collective solutions. So beyond the fact that labor is well organized, in Denmark it matters a lot as well that employers are well organized and can act collectively to solve these kinds of coordination problems and that their efforts are generously supported by the government.

*H.F.: American reformers often look to models from Europe when they are thinking about how to change policies at home. Which aspects of the Danish model are readily exportable to countries like the United States, and which are likely to be difficult to implement?*

C.J.M.: Some states such as Massachusetts have developed European-style workforce training and vocational programs that boost local economies. The trick is to build mechanisms for collective action and cooperation among vested stakeholders, which is the secret of the Danish model. I recently co-chaired (with Jane Mansbridge) an American Political Science Association presidential task force on [negotiating political agreement](#). We found that even in the United States adversaries may cooperate to obtain efficient and effective policy solutions; and they often manage this task by adopting Danish-style solutions. Thus states have developed official commissions with representatives from local business and labor groups to forge agreements on workforce development policies. They have sought inputs from nonpartisan experts to shape state-level health reform policies. Cooperation and coordination are the name of the game.

K.T.: The Danish case (and others) shows us that there is no necessary trade-off between high levels of economic efficiency and higher levels of social solidarity. Some aspects of the Danish formula clearly don't translate well into contemporary debates in the U.S. Ideally you would want much stronger and more broadly-based unions and a business class that understands the contributions that the state makes to successful economic performance. The policies that I think are most relevant and possible even in the current climate are those that support skill development at all levels — youth training programs, but also adult education and training programs that are so crucial to supporting truly flexible labor markets in the new knowledge economy.

C.J.M. and K.T.: Finally, for those who are not already convinced that Denmark is not socialist, we close by referring you to the conservative Heritage Foundation, which [ranks Denmark's economy as more "free"](#) than that of the United States.

### **Read more on Denmark and Bernie Sanders:**

[Why Denmark isn't the Utopian fantasy Bernie Sanders describes](#)

[Bernie Sanders loves Denmark. But here's how it's letting down progressives.](#)

[What is a democratic socialist? Bernie Sanders tries to redefine the name.](#)

Henry Farrell is associate professor of political science and international affairs at George Washington University. He works on a variety of topics, including trust, the politics of the Internet and international and comparative political economy.

---