



# IS DENMARK SOCIALIST?

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I am a citizen of Denmark, the Disneyland of socialism, where everybody is happy and healthy. Forget the Soviet Union, Cuba, Venezuela and all those power-mad Marxists who got it wrong. Denmark is the model to follow. There's just one problem. It's a fantasy.

For it to be true, Denmark would have to be a socialist country. But it's not. If it were, it would have gone "Venezuela" a long time ago. Sorry to bring all the new fans of socialism the bad news. But that's the reality.

Yes, it's true that Denmark has high taxes and a high level of government spending—key features of a socialist mentality. But in almost every other respect, Denmark is a full-on free market capitalist country. And it has some of the strongest protections of individual property rights in the world.

*And* it's a particularly easy place to open a business. According to the World Bank, there is less bureaucratic red tape in Denmark than in any other country, except for New Zealand and Singapore.

*And* the labor market is less regulated than in most countries. Here's something you probably didn't know: there are no minimum wage laws in Denmark.

It's not surprising then—or maybe it *is* surprising, given all the misinformation out there—that Denmark ranks consistently as one of the top-ranked free market economies in the world by The Fraser Institute in Canada and The Heritage Foundation.

So, if Denmark is not a socialist country, what is it? The answer is pretty straightforward: it's a small capitalist country (about the size and population of Maryland) whose citizens pay oodles in taxes in exchange for oodles in benefits.

Well, what's wrong with that? you might ask. Only this: for the government to pay out such benefits, you need citizens to make enough money to pay the necessary taxes. And that's only possible through a free market economy.

Let me explain—with some Danish history.

Denmark, like its Scandinavian neighbors, Sweden and Norway, made a remarkable economic recovery after the Second World War. The combination of a highly productive work force and—get this—low taxes created a lot of wealth. So like every other wealthy welfare state, Denmark became wealthy *before* it created the welfare state.

Relative to Europe, Denmark's economic high-water mark was in the 1950s; relative to the US, it was the early '70s. It was then, in the late '60s and early '70s, that the country's ruling elite became preoccupied with wealth redistribution. But the price paid for this social experiment was steep and swift.

The expansion of public spending led to a severe economic crisis. The national debt skyrocketed. It took decades of consolidation, structural reforms and curtailing of welfare schemes to straighten out this mess. This is the stuff you never hear about from the "Danish model" crowd.

The sharp tax hikes and spending also sparked a widespread popular revolt and led to the emergence of the "tax protestors" party, *Fremskridtspartiet*. Even though the party no longer exists, the widespread desire to cut taxes remains.

It's worth noting that the welfare state originally began with government pension payments to the elderly. These social security-like payments are now in the process of being overtaken by private pension savings plans—the Danish equivalent to a 401K. That's right—in reality, Denmark is gradually moving away from US-style social security. It can't afford it. Denmark, the so-called socialist model, is returning the responsibility for retirement savings back to its citizens.

And what about health care...free—right? Nothing is free. Danes pay for their health care through high taxes. Private health insurance is available, however. It's becoming more and more popular as long wait times associated with government-run medical care becomes less and less popular.

But in a welfare state, education is free—right? Well, that's another thing about "free": it doesn't mean ideal. Almost one in five parents in Denmark chooses to send his or her children to private schools, paying part of the bill themselves. Yes, college is free, and even includes a living allowance, but there is a growing problem of getting students to graduate. Many wish to stay students and be supported by the state—one of those welfare-state problems socialists don't like to talk about.

And, again, all this "free stuff" comes with a price. The average Dane pays 50% of his income in consumption and income taxes—that's right, I said 50%—while earning 15% less than the average American. After taxes, an average American has a 27% higher disposable income than a Dane.

Don't get me wrong—grey winters aside, Denmark has much to recommend it. It's just that being a socialist paradise isn't one of them.

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