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“Why the Crisis Seems to Favour the Right Rather than the Left in Europe”

Introduction: Denmark – Effects of the Crisis on the Left

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There is no doubt that the fact that Danish wage earners have not yet experienced a steep rise in lay-offs, losing their homes on a large scale etc., has influenced Danish public perception of the crisis. At the same time the bourgeois right-wing government has been able to blur its responsibility for the crisis by focusing its policies on increasing the spending power of consumers by tax reduction and by short-term public investment.

Nevertheless, the Prime Minister, Lars Løkke Rasmussen, who took over last spring, and the bourgeois government are in increasing trouble, which just led to a reshuffle of nearly all the ministers. Despite this a striking new poll shows that whereas the opposition parties are considered “more trustworthy” than the government with regard to nearly all policy areas, there is one area in which the government is more trusted than the opposition parties. This is with regard to handling the economic crisis. This of course raises some tough questions for the Danish left.

In fact Danish economy seems better off at present than in most EU member states, Danish debt of GNP at a low 35% compared to the fact that by the end of this year nearly 16 out of the 27 EU member states are expected to be over the 60% limit of GNP set by the criteria of convergence of the European Central Bank. Denmark is not a member of the Euro, but the Danish government decided after the No to the Euro in the Danish referendum on the issue in 2000 to tie the Danish krone to the Euro and the Stability Pact.

But the present situation with people steadily losing their jobs - but not at a fast pace – may only be short-lived. Lay-offs have happened more in the provinces than around the capital. Those that are hit at present are mostly the youth – here we find widespread unemployment at around 10%, whereas the average unemployment figure is the lowest in all of the EU at 5.5%. Danish economy has usually been in a good shape with a low unemployment rate – so the fact that unemployment figures have doubled since the beginning of the crisis is not serious to Danish economy yet. But there are signs that this may change. Note that the productive sector is badly hit – industrial production has fallen by 19.3 % in one year. Employment has been reduced to 71% and private debt (loans) is one of the highest per capita in the world, indicating that rising unemployment may have serious consequences for quite a lot of people.

The increasing spending by the government (tax reduction, public investment etc.) since the crisis has meant that a comfortable budgetary surplus has turned into an increasing budgetary deficit of GNP at 5.5%

Governmental tactics have been contradictory: Whereas until very recently the government tried to impress upon the general public that the – so-called – financial crisis would soon be over, it is now trying to convince people that Danish economy is in a very bad shape. So bad that people will have to accept the new austerity policies promoted by the EU for the EU member states to tighten their budgets and curb their debts to adapt to the criteria of convergence. The government has just announced

zero growth in the public sector, the effect of which will be huge cuts and the loss of many jobs as well as increasing privatization. A new round of neo-liberal policies.

At a political level there is a situation approaching very fast new general elections, very probably later this year. For the past 3 to 4 years the opposition has been building a governmental centre-left alternative – the core parties of which is a close partnership between the Social Democrats and the Socialist People's Party (SF), with SF having by and large adapted to Social Democratic policies. A future alternative government would very probably consist of these two parties plus the Liberal Democrats (Det Radikale Venstre), and supported by the Red-Green Alliance. But it is by no means certain that this alternative will actually gain the coming elections. The past year the opposition parties have been around 2 or 3 seats ahead of the bourgeois government parties (which is supported by the extreme right-wing Danish People's Party) in the opinion polls. Previously the bourgeois government was firmly ahead of the opposition parties.

The Social Democrats and SF have made clear that they will not accept the announced austerity programme by the present government. But one thing is the present position of the parties – another is the reality after elections.

There are two traps:

- One is the fact that the Social Democrats and SF have not put forward until now economic policies that are sufficiently alternative to the bourgeois government's policies. And will they, also very pro-EU parties, be able to break with EU directions on economic policy?
- The other are the very neo-liberal economic policies of the Liberal Democrats, possible partners in an alternative government.

On the other hand there is also pressure from the radical left, as the Red-Green Alliance may have a crucial role after elections, with its parliamentary seats decisive to be able to form a centre-left government. The Red-Green Alliance sees its role as one to push a centre-left government more to the left. It demands no more crisis support packages to the banks, no privatization, a green occupational plan, no to compromises leading to a worsening of the conditions of the unemployed etc. - the kind of demands, which should be possible for Social Democrats to meet.

The Red-Green Alliance sees the crisis as one of the Capitalist system, but provoked by and deepened due to the policies of deregulation of the financial sector (the housing market bobble in particular) and neo-liberal policies in general over the past decades by bourgeois and Social Democratic governments. Whereas on the other hand the Social Democrats and SF have been inclined to rely on proposals for reforms of the financial sector as well as of increasing investment in public production, but at the same time supporting the government crisis packages to the banks. Until now with the recent austerity policies announced, the policies of the Social Democrats and SF have not seemed all that different from those of the right-wing government in power, which has also invested in public production. This may be one explanation why there still seems to be more public confidence in the crisis policies of the present government.