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Is Small Still Flexible? – An Evaluation of Recent Trends in Danish Politics

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How has Denmark been able to adjust its economic and industrial policies in an era of major changes in the international economy? The article gives a survey of the last 10 years, especially more recent years. Before 1986 wage policy and public-expenditure policy were dominant. Since then they have been supplemented by a new structural policy to increase the level of technology, to improve education and research and to change the composition of Danish exports as far as products and markets are concerned. The adjustment of policies has taken place in a stable multi-centred political system. The process has been characterized by institutionalized campaigning, moulding of interests and mobilization of compromises and mutual understanding. The capacity for flexible adjustment seems to originate from the stability of the political system. Likewise, uncertainty and instability seem to weaken the capacity for political flexibility. During the last two years the transformation of the elite consensus into state programmes and administrative decision-making has been hampered and the whole structural policy approach has been challenged by a neoliberal alternative. This is mainly due to an extraordinary parliamentary stalemate in a situation of extreme minority parliamentarism.

Flexible Adjustment in the Negotiated Economy

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Nevertheless, all this seems to be largely irrelevant in the Danish context. As pointed out by Katzenstein (1985), Denmark has, like other small

European countries, developed a structure where economic flexibility and political stability appear to be mutually reinforcing. Smooth and continuous adaptation of both individual and collective behaviour, as well as economic and industrial policy to the ever-changing conditions of the world market, co-exist with an elaborate system for domestic compensation to prevent the costs of change from causing political eruptions. World-market flexibility is conditioned upon the political stability arising from the corporatist involvement of all major political forces in consensual processes which constantly reproduce legitimacy and at the same time preparedness for change. Besides, 'big government' is needed in order to secure domestic compensation as well as adaptation to world-market development.

According to Katzenstein, this specific combination of flexibility and stability has proven rather successful. The neoliberal trend, however, seems to be blind to the fact that flexible adjustment requires a foundation of political stability – at least in small European countries like Denmark.

In this artictle we do not intend to assess the effectiveness of the system. Neither do we analyse the flexible capabilities of Danish industrial firms in relation to world-market development. We focus on the adjustment of economic and industrial policy to the ever-changing conditions of the world market. We shall survey Danish development over the last 10 years, and especially recent trends, in order to answer the question: Is the capacity for flexible adjustment still intact? How has Denmark been able to adjust politically in an era when the international economy has developed from a period of structural crisis to a period of comprehensive structure changes – or experienced a crisis of Fordism and perhaps a transition to post-Fordism (Nielsen 1989).

First, we sketch the Danish economic and political structure. We use the term 'negotiated economy' instead of 'democratic corporatism' to describe the mechanism for mobilization of consensus and compromise about economic policy. Then we briefly describe the dominant policy response to the crisis of Fordism up till 1985–86: wage policy and public-expenditure policy. These policies were successful but insufficient, new instruments were searched, and *structural policy* was developed through the discursive and institutional processes of the negotiated economy. We described how new conceptions and mutual understanding about structural policy were developed, how this policy is implemented, how blockages hamper further progress through state intervention, and how a 'private' industrial policy has emerged as an alternative mechanism without the assistance of the state. The subsequent sections attempt to explain why the overall consensus around structural policy has not easily been transformed into state programmes and administrative action. We maintain that the blockages mainly stem from an extraordinary situation of parliamentary stalemate combined with the emergence of extreme minority parliamentarism.

The Danish Mode of Growth: A Mixture of Fordist and Non-Fordist Features

The Danish mode of growth can be characterized as a flawed version of 'Fordism'. On the supply side of the economy – from where the concept originates – we find almost no evidence of Fordist structures. However, as far as the demand side is concerned (mass private consumption of standardized consumer durables and mass collective consumption of welfare services), as well as the institutional framework mobilizing purchasing power (the welfare state, Keynesian demand management, 'productivity-linked' collective bargaining and a generous credit system), Denmark is Fordist like few other countries.

The Danish economy is small and extremely open. Total exports make up 30 percent of GDP, which is twice as much as in West Germany and Britain. Denmark lacks industrial raw materials. Traditionally the agricultural sector has dominated exports. An advanced *agrarian-industrial* complex has evolved around the manufacturing of agricultural products and production of machinery for agriculture. The *shipping-shipyard* complex is another traditional stronghold of Danish exports. Even today 40–50 percent of total Danish export earnings stem from those two traditional industrial complexes (Det Økonomiske Råd 1987).

In Denmark, the post-war Western European economic growth tide did not take off until after the liberalization of international trade in the late 1950s. Denmark experienced a relatively short but very hectic prosperity phase in the 1960s with high growth rates, comprehensive economic restructuring and reorganization of life patterns. In this prosperity phase the demand side of Fordism was implemented at high speed. The supply side, however, was not imported. Mass production never became dominant.

During the 1960s a number of manufacturing industries emerged and three new industrial complexes developed (Frøslev Christensen 1980): the *housing and construction* complex, the *welfare* industrial complex (based on the interaction between industry and welfare-state provision of social and health services and regulation of the environment), and the *machinery* industrial complex. The first of these new industrial complexes arose from internal demand for products from sheltered industrial branches. It did not in a significant way improve the international competitiveness of Danish industry. The development of the welfare industrial complex resulted in progress on export markets due to the international competitiveness of Danish firms producing specialized equipment, e.g. medical equipment and environmental technology. However, the most important new positions on international industrial markets were achieved within fabricated products of metal and machinery.

Danish manufacturing industry consists of many small, and a few med-

ium-sized, but no large firms – by international standards. They produce specialized, often high-quality equipment in short series for unstable international niches or products for the internal market in equally short series. Mass production of standardized consumer goods has never evolved.

Consequently, machine-paced, semi-skilled labour which is typical of Fordist mass production never became widespread. Rather, non-Fordist divisions between two major segments of the labour force – skilled craft labour and unskilled labour – have remained prominent in Denmark.

In Danish industry, neither the techniques of the production process nor the organization of the labour process have ever been typically Fordist. Indeed, alternative industrial models successfully challenged the Fordist model even in the most prosperous Fordist period (Hull Kristensen 1989).

Of course, Danish industry has not been totally shielded from Fordist tendencies, and non-Fordist industries and activities have also been subject to the Fordist logic. As a general trend Taylorist scientific management was applied in the organization of the labour process. In addition, the organization of the Danish labour market was influenced by the rigidities inherent in the Fordist institutional forms designed for large-scale production in big firms. Furthermore, welfare-state provision of services was organized according to Fordist ideals: manufacturing of standardized products in large series.

However, even in the midst of the Fordist era, the Danish mode of growth surely lacked the link between production and consumption which is presupposed in the general conceptions of Fordism as a mutually reinforcing feature. Fordist norms of consumption and high import ratios for private consumption of durables co-existed with non-Fordist production processes and fragile positions on the world market.

The growth of the competitive sector in the period of prosperity was never sufficient to finance imports and the competitive sector is still too small. This is partly caused by the specific delay and temporal concentration of the post-war 'second industrialization' of Denmark which precluded significant market shares on large markets. Another reason is the predominance of very small firms. Yet another reason may be the strong position of the traditional and sheltered branches (housing and construction and the state), which succeeded in attracting a large share of the resources (Mjøset 1987, 427) and possibly crowded out private manufacturing.

The consequence has been a permanent deficit on the balance of payments since 1963 and an accumulated foreign debt (almost 40 percent of GNP in 1988) of almost Latin American proportions.

The prevalent mixture of Fordist and non-Fordist elements is a distinctive national feature. Consequently, the general crisis of Fordism shows specific Danish features, too. Danish industry was not from the start hit by the disturbances created by the rigidities of the Fordist production model.

Rather, the high capacity for flexible adjustment to changing niches on the international market implied advantages in the new economic environment of stagnant total demand, differentiation of consumer demand and comprehensive technological restructuring. In the period 1975–82, Danish exports developed in a more favourable way than Swedish exports, which have more typical Fordist features (Mjøset 1987, 442).

Other symptoms of the crisis of Fordism are certainly evident in Denmark. Working-class resistance has challenged Taylorist methods, especially at the beginning of the 1970s (Pedersen 1987) and labour-market rigidities have been pointed out as in other Western European countries.

However, the most decisive elements in the crisis of Fordism, as far as effects on Danish economic and societal development are concerned, stem from the international dimensions of the crisis. The stagnant international markets, the restructuring of the technological base and to a lesser extent the increasing market power of the newly industrializing countries (NICs) imply pressures on the Danish mode of growth. First of all, the long-lasting world-market stagnation meant lowered exports and enforced austerity and reorganization measures on the Fordist demand side. Ordinary macroeconomic demand management did part of the job, but austerity was mainly – at least from the late 1970s – implemented through wage policy and public-expenditure policy. Wage formation and state budget procedures were reorganized through discursive processes and by institutional means. Although these measures also confronted various rigidities on the labour market and in the welfare state, flexible adjustment of internal costs and demand to the international environment must be considered the impetus. By the mid-1980s it became obvious that this policy was not sufficient. In order to cope with the macroeconomic imbalances new measures had to be found.

Neither wage policy nor public-expenditure policy did take account of the current restructuring of the technological base of capitalist production. The effects of this sin of omission have become increasingly evident, as illustrated by recent data on productivity and market shares. The new structural policy was designed to repair the deficiencies.

In the last 2 to 3 years this new policy has gradually been implemented but it has also been supplemented and at times challenged by other measures of a more neoliberal orientation.

The Negotiated Economy

The concept of 'the negotiated economy' has been developed in a Scandinavian context and up till now only used in the Scandinavian countries. It was launched about 10 years ago in connection with a long-lasting and very

ambitious Norwegian public research project ('Magtudredningen') (Hernes 1978; NOU 1982). Since then theoretical discussions have taken place and in addition, efforts have been taken to apply the concept in empirical studies in the Scandinavian countries (Berrefjord & Nore 1988; Nielsen & Pedersen 1988a, 1988b, 1989a, 1989b; Berrefjord et al. 1989).

We take the term 'negotiated economy' to mean an organizational structuring of society, where an essential part of the allocation of resources is conducted through institutionalized negotiations between independent decision-making centres in public administration, organizations and corporations.

An essential characteristic of the negotiated economy is the interconnection of institutional and discursive features enforcing compromise and mobilizing consensus. It is not only a mechanism for regulation of disputes and mediation of conflicts but also an institutionalized mobilization of mutual understanding about problems, ends and means.

The civilization of class confrontation is a decisive premise for the development of a negotiated economy in post-war Denmark. As a result of the long-lasting and deep-running civilization of class conflict, state authority has been dispersed. It has been delegated into many different types of institutions where organizations are represented. State authority has been multi-centred, thereby creating co-ordination problems. The existence of and the autonomy of the above-mentioned institutions were accepted as a basic premise making co-ordination by legal administrative means impossible. Instead, a strategy for discursive co-ordination was formulated and new institutions were erected to facilitate such co-ordination. The main object in this process was the formulation and propagation of a '*socioeconomic frame of meaning*'. This is a general conception of the relationship between public administration, organizations, corporations and households as part of an 'economic organism'. The 'health' of this organism is not automatically established. It is only created if the different agents observe a normative injunction to act in the interests of the social economy. This incentive is being mobilized through a lot of institutions. These institutions formulate problems and designate ends, means and strategies in various policy fields within the overall normative socioeconomic frame of meaning.

Five types of institutions have been erected (Pedersen 1988):

(1) *Policy institutions* formulate socioeconomic problems and issue recommendations on policy steps to be taken.
(2) *Discourse institutions* construct and systematize the socioeconomic frame of meaning.
(3) *Campaign institutions* attempt to propagate the socioeconomic frame of meaning.

(4) *Negotiation institutions* draw up timetables and outline frameworks for future negotiations and campaigns.
(5) *Arbitration and sanction institutions* mediate in situations of conflict and non-agreement, and sanction violations of agreements.

A complex pattern consisting of all these institutions has been established in relation to wage policy and labour-market policy and most of them also in relation to public-expenditure policy. In some other policy fields we have got some of the institutions but the pattern is far from complete in those areas.

Such institutions exist in most West European countries. In the Scandinavian context, however, it is not their pure existence but rather their complementarity which is most interesting. This makes possible a specific discursive and institutional process: the negotiated economy. This is certainly not a smooth and fast process free from tensions and conflicts. Elite consensus is mobilized through a lengthy and conflictual process while popular support is not necessarily assured simultaneously. This might concentrate tensions at the parliamentary level, especially in periods with weak governments. Such tensions might hamper and delay the transformation of an elite consensus into state programmes and administrative action.

Wage Policy

We have sketched above the genesis and the general institutional characteristics of what we call the negotiated economy. We shall now describe the main policies that have been formulated and/or implemented within this structure since the early 1970s. None of them were developed overnight. Wage policy, for instance, originates from discursive processes in the 1950s. The need for co-ordination of wage agreements with socioeconomic objectives was first described in various Green Papers (especially Green Paper ('Betænkning') no. 154, 1956). In the 1960s and 1970s, a comprehensive process of institutional innovation took place in the Danish labour market. As a result, indirect steering and control of the formation of wages became possible from the late 1970s. Institutional co-operation between autonomous labour-market organizations rather than discretionary intervention by the state made possible flexible adjustment of wages to the ever-changing macroeconomic conditions.

A *wage-policy discourse* was formulated and propagated institutionally through campaign institutions. Most important is the Economic Council ('Det økonomiske Råd') which was set up in 1962 to deal specifically with this issue. The Economic Council consists of representatives from labour-

market and other organizations and a board of chairmen who are independent economic experts. Since publishing its first report in 1962, the Council has always given a high priority to wage policy in its recommendations.

The participants in negotiations have usually taken the Council's guidelines as a point of departure, and since 1979 wage policy has come to be accepted as an economic political instrument to be applied for long-term redistribution of income from wages to profits. This did not happen without severe conflicts both between the big organizations and as a result of internal contradictions. However, by a slow process full of ruptures, an 'elite' consensus was formed about the necessity of such redistribution of income as a means of improving the international competitiveness of Danish industry. As a result, wage policy became very effective in the years following 1979. In the period until 1982 Danish international competitiveness improved by as much as 20 percent as an effect of the development of relative wage costs and exchange rate adjustment (Zeuthen 1986). It might be concluded that an effective mechanism for flexible adjustment of wages in accordance with socioeconomic necessities had been constructed. The flexibility acquired thus did not originate from liberalization or revitalization of the labour market. Rather it was a result of the discursive and institutional innovations in continuation of the established Danish tradition for class co-operation.

Since 1982 wage policy has not lead to further improvements in international competitiveness. It must be characterized as rather successful, anyway, because until 1985 wages did not increase in excess of the socioeconomic guidelines agreed upon after the discursive processes occurring in advance of the collective wage agreements. Achievement of further improvement in competitiveness through wage policy was not, however possible. In 1985, the government departed from normal procedures by forcing through an 'agreement' much lower than the proposal put forward by the arbitration institution. As a result, the organizations felt no obligation to support the solution. In the next two years average wages increased almost twice as much as the 'agreed' rate and distortions developed between areas controlled by the government and areas with wage drift and hidden, in-kind increases (Pedersen 1987; Andersen & Risager 1988). In 1986–87 the bourgeois government was deemed to accept its failure. Not only did the actual results fail to live up to the expectations, but the outcome also undermined future wage agreements because of the distortions of wage differentials.

The government recognized that the institutionalized mechanism for the flexible adjustment of wages had been pushed towards its limits. The existing instruments were considered effective but unable to bear the full burden. New instruments were needed.

Public-Expenditure Policy

In 1960 Danish public expenditure was lower in relation to GNP than the average level within OECD (24.6 percent versus 26.0 percent). As a result of comprehensive reforms of social welfare, health and education, public-expenditure growth exploded from the end of the 1960s and Denmark soon became a leader within OECD as far as public expenditure relative to GNP is concerned (1982: Denmark 60.2 percent, OECD 48.5 percent). The construction of the welfare state did not proceed as a carefully planned process. On the contrary, it happened in a relatively short period, through distinct processes in each sector guided by disconnected specific motivations leading to pragmatic compromises between various interests without any reference to overall socioeconomic considerations or necessities.

At the end of the 1960s, the unintended consequences of these processes became evident. Welfare-state expenditure grew out of control. The economic and administrative consequences became still more unmanageable. Efforts to construct a total 'planning machine' (Green Paper (Betænkning) no. 723, 1975) were attempted but failed. From the abortive attempts, however, one of its elements – public-expenditure planning – was soon given prominence.

A *public-expenditure discourse* was formed through a lengthy and pragmatic process similar to the process which formed the wage-policy discourse. The need for co-ordination of public expenditure with socioeconomic objectives was localized in a series of Green Papers, Commission reports and medium/long-term blueprints ('perspektivplaner'). The Ministry of Finance ('Budgetdepartementet') played a major role as organizer of 'campaigns'. Furthermore, new institutions were set up to deal with policy implementation.

From the early 1970s there has been a widespread decentralization of authority and responsibility from the state to the municipalities ('primærkommuner'). Simultaneously, the so-called *budgetary co-operation* has developed between the government and the independent organizations of the municipalities and the counties ('amtskommunerne').

In the late 1970s a rather comprehensive and detailed system for the co-ordination and control of public expenditures was constructed both within central administration and between the state, the counties and the municipalities. Through these instruments public-expenditure policy was meant to curtail internal costs and demand as a major contribution to solve the macroeconomic imbalances. This was further stressed when the bourgois government took over in 1982.

Public-expenditure policy achieved rather remarkable results (Nielsen 1988). In 1982 Denmark had an enormous public-finance deficit (10 percent of GNP). Only 4 years later this was transformed into a surplus (3 percent

of GNP), partly because of successful public-expenditure policy which reduced the share of public expenditure (excluding interest payment) in relation to GNP by almost 8 percent. The process did include authoritative state decisions, but it was mainly achieved through institutionalized communicative co-ordination of independent decisions in local and regional authorities. The achievements seem remarkable in relation to developments in the other European OECD countries. In the same period, on average the deficit remained stable (4 percent of GNP) in OECD-Europe. In Denmark, public-expenditure policy did succeed in securing adjustment of the level of expenditures in accordance with the requirements as derived from the consensual socioeconomic frame of meaning.

The Search for New Instruments

In the period 1982–86/87 both wage policy and public-expenditure policy showed their effectiveness. Objectives as far as wages and public expenditures are concerned were actually met through the established mechanisms for co-ordination, and flexible response to changing socioeconomic conditions did actually take place. However, despite the successful application of the preferred instruments in economic policy, severe macroeconomic imbalances remained. First and foremost, the deficit on the balance of payments continued to grow. To cope with these problems supplementary instruments were needed. This need was further strengthened by the gradual elimination of monetary policy and exchange-rate policy as economic policy instruments (Det Økonomiske Råd 1985). In 1984–85, encouraged by the harmonization measures taken by the EEC, the Danish bourgeois government implemented full-scale liberalization of international capital movements and on purpose paid the price of discarded discretion in monetary policy. Likewise the government gave up even trying to get the other members of the European Monetary System to accept changes in the official exchange rate.

Consequently, new means were needed if the government were to repair the macroeconomic imbalances. This is no doubt one of the reasons why the bourgeois government in the mid-1980s abandoned its previous rejection of measures which directly intervene on the supply side of the economy.

Another reason for the redirection was the growing recognition that the future of 'the inner market' and, perhaps, further EEC integration imply a decreasing importance of traditional general instruments and simultaneously an increasing relative importance of structural intervention and supply-side measures.

Still another reason was the growing recognition that Denmark is not shielded from the international tendencies operating on the supply side of

the economy. Data on market shares and productivity revealed the fact that the international competitiveness of Danish industry was influenced by features other than relative unit labour costs. The problems concerning market shares and productivity probably stem from the mediocre performance of Danish industry in the current modernization race in adapting to the new techno-economic paradigm (Freeman & Perez 1988). The direct reason for the change of strategy was the deterioration of Danish industrial performance which was to a high degree caused by the structural adjustment measures taken elsewhere as an effect of the crisis of Fordism.

The Structural-Policy Discourse

The structural policy (Nielsen & Pedersen 1988c) originates on the one hand from the development of a technology policy (Munk Christensen 1988), and on the other, from the reformulation of the socioeconomic frame of meaning to take account of the need for increased international competitiveness.

Until the 1970s a *technology policy* did not exist in Denmark. Industrial policy had been established as a new policy field in the early days of 'the second industralization'. Before 1970, however, it consisted solely of a regional-development policy and the promotion of exports. The administration of the policies was delegated to corporatist institutions ('Egnsudviklingsrådet' og 'Eksportkreditrådet').

In 1973 a new policy and campaign institution, the permanent 'Technology Board' (Teknologirådet) was set up. This corporatist institution was assigned the task of following and surveying technical and industrial development, and taking or guiding action in order to promote technological development. It was expected to formulate and propagate a technology discourse, to design new institutions and to conduct experimental implementation. The long-term objective was to modernize the Danish economy and to eliminate the macroeconomic imbalances through promotion of technological progress.

During the first ten years, long-term plans were made for provision of technological services, planning groups for various technical areas were erected and a system of local information centres (TICs) was established. A decisive step was taken in 1983, when a Programme for Technological Development (Det Teknologiske Udviklingsprogram or 'TUP') was proposed by the Technology Board and followed by Parliament. Although the funds granted were rather meagre by international standards, the emergence of the programme signified a new phase. It covered promotion, development and internalization of information technology and also financial support for research and development (R&D) and technological service in microelectronics.

One of the reasons for the political consensus about this programme was the simultaneous reformulation of the *socioeconomic frame of meaning*. A long lasting debate went on among various campaign institutions about the content of the concept of international competitiveness.

In the 1970s competitiveness was generally perceived as equivalent to relative unit labour costs. From around 1980 a new perception gained ground. As a consequence, a revised standard was applied in campaign institutions such as the Economic Council. Competitiveness was measured by a composite index including relative unit labour costs, capital costs, productivity and exchange-rate development.

Over the period 1984–86 a consensus was established around an extended formulation. Product innovation and productivity, technology content, marketing and flexibility on the labour market and in industrial organization were made part of the concept of international competitiveness. The reformulation was primarily being promoted by the Technology Board and the Labour Movement Trade Council ('Arbejderbevægelsens Erhvervsråd'), who both pointed out that technological development and restructuring might have an important impact on the competitiveness of Danish industry.

Also important were reports from OECD and the Danish government showing an astonishing industrial backwardness in relation to several of those new aspects of competitiveness. A new specialization pattern seemed to have developed. On international markets Denmark had increasingly become specialized in standardized goods with low technology content. Danish industrial backwardness meant net total import of both research and high technology (Finansministeriet 1987).

The decisive formulation of the new consensus was produced by the Ministry of Finance (Finansministeriet 1986). Employing a broad conception of competitiveness they called attention to the fact that Denmark suffered from the following structural problems: Export products have an insufficient content of technology and Danish export markets have declining shares of international demand. Therefore, a structural policy must be applied to increase the level of technology, education and research and to change the composition of exports as far as products and markets are concerned.

This formulation was further elaborated in important policy documents from the government in 1986 (Arbejdsministeriet et al. 1986; Industriministeriet 1986), and in documents from the peak organizations. Further elaboration of the concept took place along these lines. A new consensus was formed around the formulation of a new socioeconomic co-ordination problem (industrial structure and competitiveness) and the selection of technological renewal and industrial restructuring as the solution to the problem.

Implementation of Structural Policy

The formulation and propagation of the structural policy discourse have implied recognition of specific restrictions or rigidities blocking dynamic adjustment of the industrial structures. In addition, appropriate means have been selected to remove these rigidities. We shall briefly discuss some of the most important areas.

Plant Size and Inter-plant Co-operation

The high proportion of small and medium-sized enterprises (SMEs) in Denmark has often been considered a relative advantage because of their capacity for flexible and dynamic adjustment to international market changes. This is still an advantage, according to new research (Jysk Teknologisk Institut 1989). However, a new view has now gained dominance. The absence of large firms is now considered a decisive disadvantage (Industriministeriet 1989; Forum for Industriel Udvikling 1988a, b). The SMEs are considered unable to conduct R&D of a sufficient measure and quality in this era of major change. Furthermore, they are considered too weak as far as managerial and financial capacity is concerned, in order to confront the current and future challenges as a result of international specialization and integration.

The formation of 'industrial locomotives' is considered the primary cure for this structural disease. Larger concentrations of capital ought to be established through mergers of Danish (and later foreign) companies within selected branches: the food industries, environmental technology, etc. Besides, by strengthening inter-firm co-operation between the SMEs, some deficiencies caused by the absence of large firms might be overcome.

Mergers have been encouraged by public authorities and quite a few remarkable mergers did in fact occur in the winter of 1988–89 and the following spring (Petersen 1989a). Inter-firm co-operation has been supported by various means. A comprehensive government plan for construction of inter-firm networks was presented in March 1989 (Industriministeriet 1989). Co-operation is encouraged in relation to marketing, application of advanced technology, administration, quality control, job training, use of knowledge, etc. and especially R&D. Total subsidies will make up 0.6 billion DKr. in a 3-year period.

Research and Development

Too low R&D is now considered to be a central socioeconomic problem. This is not only a consequence of the predominance of the SMEs. Attention is also focused on the normative and institutional barriers between public and privately financed research and education. For instance, the criteria for academic promotion and recruitment, professional norms, financing and the system of licensing and Patent Acts are considered too rigid.

In recent years, several large-scale R&D projects have been erected. These projects are based on co-operation between private and public institutions. Another important public–private initiative was the erection of a venture firm (Dansk Udviklingsfinansiering A/S), which substantially extended the supply of risk capital for development projects. In addition, various programmes have been elaborated by the Ministry of Education. They cover measures to improve co-operation between universities and private firms in the field of research, development and education, restructuring of budgetary mechanisms and forms of financing, and changes in recruitment and promotional systems.

Subvention of Ailing Industries and Other Traditional Instruments
The established subvention schemes for ailing industries constitute a barrier to new industrial policy programmes. They restrict the amount available for new initiatives as they take up resources within a tight budget. State subvention for shipyards has for long contributed a very high proportion of the total government subventions to trade and industries (more than 50 per cent). Now these subvention schemes are being dismantled. State subvention was reduced by 60 percent in 1989 and the remains will gradually be liquidated over a 3-year period. The government also intends to reorientate the other remaining subvention programmes from public grants to state-guaranteed loans.

Mobility and Training of the Labour Force
Already in the 1950s, mobility of the labour force was regarded as a problem. As part of the means for improving co-ordination of wages and socioeconomic necessities, measures for increasing mobility of the labour force were considered essential. Now again, attention is focused on the organization of the labour market, but now in relation to the demands for changes in the industrial structure and for implementation of new technologies. Among the major organized agents consensus has been achieved regarding the following points:

- Organized boundaries between different crafts impede flexible adjustment of the qualifications of the labour force to technological requirements. Considered to be essential are, especially, the barriers between skilled and unskilled workers, but also those between technically trained and formally educated groups.
- As to location and trade, barriers to mobility are localized in the established system of job assignments.
- In addition, the existing programmes for education and training of the labour force are considered utterly insufficient in relation to future needs.

After several years of negotiations, programmes for restructuring the labour market have been agreed upon. They cover reorganization of labour-market education and training, establishment of formalized in-service training, and changes in the public job-assignment system. They also cover internal reorganization of the Ministry of Labour, and changes in the internal structure of labour-market organizations.

Major disagreement, however, still remains concerning the financing of the reforms. In this connection as well as in a similar disagreement about the future financing of unemployment benefits, the opposing views are represented by the bourgeois government vis-à-vis the Federation of Danish Trade Unions ('Landsorganisationen (LO)'). The government rejects state subvention of the new programmes and stresses the need for some direct payment from the individuals concerned. LO will not accept individual financing, stresses the need for solidarity and proposes collective financing by labour-market organizations (and the state).

Capital Investment

The Danish capital market has for long been subject to detailed regulation and supervision. Financial security has been a primary objective. Now, these laws and institutional structures are considered obstacles to productive capital investment and to the formation of new financial institutions to promote venture capital and other new kinds of ownership and control. Also, the organization of the stock exchange, the structure of financial firms and corporations, and the relationships between private institutional investors and public financing are characterized as too rigid in relation to the needs of restructuring.

In this area major changes have already occurred. The organization of the stock exchange has been changed by a major reform similar to 'the Big Bang' in London in order to remove traditional privileges, to introduce high technology and to increase the supply of capital for productive investment. New financial institutions are formed to promote the productive investment of the huge collective pension funds. Wage-earner funds have been assigned more room for manœuvres on capital markets. Also, experiments with new types of relationship between ownership and management have taken place. As in Sweden, institutionalized forms of investment through pension funds and wage-earner capital still constitute controversial issues in the political debate. However, unlike Sweden, reforms have been implemented and new institutions have been erected while maintaining the traditional consensus. Plans for further restructuring are elaborated and currently very important campaign battles are fought concerning a major pension reform to secure additional pension for groups hitherto not covered by existing arrangements.

Relationships between Public Agencies and Firms

In Denmark traditional liberalism has prescribed a clear demarcation line between state and firms, and between public and private forms of production. Compared with other OECD countries, state production is very limited. Only a few nationalized firms exist. Also, competition between public and private firms is formally precluded and in reality is negligible in extent. These limits and formal restrictions have been formulated as barriers for product innovation, formation of new legal forms of enterprises, modernization of the infrastructure and access to new export markets.

Many initiatives have been taken to make the relationship between public agencies and firms more flexible. Co-operation around export of complex 'systems' (collective traffic systems, health systems, administration of collective funds, etc.) has been strengthened. On the municipal level comprehensive industrial development projects have been organized with co-operation between central state, counties, municipalities, organizations, and firms. As a result new combinations of public and private ownership have developed. Furthermore, the formal ban on municipal production is sometimes challenged or even violated.

Internal Organization of the State Apparatus

Both the intra- and inter-ministerial relations and the relations between central and decentralized agencies require reorganization. Rigidities have been localized in the established sectorization. Specific rigidities have also been pointed out in inernal ministerial co-ordinating procedures and in the institutional interplay between central state, counties and municipalities.

As a result, the internal organization of the state apparatus undergoes important changes. New forms of management are being applied and corporatist arrangements at the state level are reorganized. In the Ministry of Industry, for instance, this has been effectuated through a major reform of the internal structure (Hansen & Søndergård 1988). The capacity for planning and survey was strengthened through introduction of a management structure inspired by private concerns. Furthermore, a corporatist institution ('Det industripolitiske kontaktudvalg') was intended to hold a strengthened position as far as overall planning, survey and political counselling are concerned.

At the same time, however, the influence of the trade associations has been reduced in relation to the distribution of government financial support for exports ('Eksportfremmeordningen'). The associations were excluded from the Export Credit Council ('Eksportkreditrådet') which is responsible for the administration of the programme. This was done in order to simplify administrative procedures and to remove barriers for reformulation of distribution principles. Simultaneously, industrial, technology-related and

labour-market policies have been regionalized and new corporatist structures constituted at the regional and local level.

Dynamic Capabilities of Public Agencies

Most public agencies are not equipped with the necessary instruments to make a dynamic contribution to structural policy. They are often merely capable of a reactive form of policy response. Currently, various attempts are being made to strenghten the reflexive capacity of existing institutions for adaptation to new circumstances; their capacity for identification of development trends, and for formulation of problems and mobilization of consensus.

Efforts to improve the reflexive capacity of the regional (corporatively constituted) labour-market boards is a prominent example. The intended function of these boards has deliberately been changed from one of reactive administration to comprehensive investigation, planning and co-ordination of several policy fields. To accomplish this aim, the boards have been equipped with various new instruments. Regional econometric models and new information bases have been developed, information and campaign centres have been formed, and new forms of planification established.

Blockages for Further Progress?

We conclude that the Danish negotiated economy has shown a capacity for:

- adjustment of its discursive foundation (through the conception of international competitiveness);
- formation of an (elite) consensus on a new overall policy (structural policy) to supplement wage policy and public-expenditure policy; and
- implementation of structural policy through identification of institutional rigidities and formulation of plans for action aimed at removing such rigidities.

All of these achievements, however, ought not to divert attention from the problems and ambiguities. The emergence of a structural policy is a very new phenomenon which was even appearing to run out of steam in 1988 and 1989.

Severe questions remain concerning the implementation of the policy. We maintain that profound changes in attitudes have occurred, and also that new instruments and institutions have been created. The policy is still vague, however, and a major reallocation of resources in accordance with the objectives of the structural policy still remain to be seen. The new plan

to support inter-firm networks, for instance, includes nothing more than meagre funds. Even so, this has to be compensated for by cuts elsewhere within the budget of the Ministry of Industry in accordance with the tight budgetary policy followed by the bourgeois government. The priority of public-expenditure policy also surfaced when the 1989 state budget was passed in Parliament. The appropriation for the ending year of the Technological Development Programme was simply cut out of the budget as one of the measures adopted to fulfil the targets for total expenditure.

Furthermore, in particular the interest organizations and the Civil Service (Geckler & Grønnegaard Christensen 1987) have been blamed for blocking and changing the process of implementation. Blockages have perhaps most of all been present in the reorganization of government subvention to trade and industry (Grønnegaard Christensen 1989). In spite of the consensus about the policy in general, major disagreement arose about the subsequent administrative reorganization and the reallocation of resources in accordance with the objectives. The quarrelling and fighting have been called the 'industrial civil war' (Rasmussen (a) 1989; Ulveman 1989).

Shifting combinations of national trade associations have criticized and attempted to block the cuts in subvention to shipyards as well as the change from public grants to state-guaranteed loans. They have also strongly opposed the exclusion of the organization from the Export Credit Council.

A more general critique has surfaced simultaneously with the more specific critique of the implementation. The proposals for subventions to the establishment of networks have been criticized from a traditional neoliberal point of view which seems to preclude all possible ways of implementing the structural policy. Similar criticism of the intended function of the corporatist policy institution in the Ministry of Industry has been forwarded. This kind of criticism is formulated mainly by the organizations for small and medium-sized companies within industry and commerce.

The implementation of the structural policy seems to have provoked a confrontation between, on the one hand, export-orientated, R&D-loaded, high-technology companies and, on the other hand, the more labour-intensive companies employing traditional technology and mainly orientated towards the domestic market. For the moment, the first 'group' seems to promote the 'locomotive strategy', while the second 'group' currently seems to be uniting behind the so-called 'tax strategy' (Ulveman 1989). This strategy attempts to lower charges on employers ('arbejdsgiverafgifter') as well as corporate taxation with the overall purpose of decreasing the relative costs in comparison with foreign competitors on the domestic market.

The labour movement has criticized the deficiencies in the implementation process. The Social Democratic Party has presented an industrial policy proposal (Socialdemokratiet 1989a) intended to put full steam under the implementation of the 'locomotive strategy'.

The 'Private' Industrial Policy

The controversies and blockages have hampered government implementation of the structural policy. However, various private institutions have taken over. An important part of the implementation of the structural policy takes place through an institutionalized interplay between a number of trade and labour market organizations, financial institutions, important private companies and individuals. This interplay takes place within several institutions whose actions are informally co-ordinated by personal networks with *no direct government or political influence.*

A decisive premise for this development was a number of law adjustments that gave the pension funds more room for manœuvre on the Danish capital market. Furthermore, in 1985 representatives from different parts of the Danish labour movement took the initiative to establish what is to date the largest Danish venture company, 'Dansk Erhvervsinvestering'. The object of the company was to direct capital from wage-earner funds and pension funds, as well as from banks, assurance companies and individuals into particularly risky projects (Petersen 1989b, 255).

In 1987 the Federation of Danish Trade Unions took the initiative to change the Employees' Threshold Fund (Lønmodtagernes Dyrtidsfond) into an elaborative centre of offensive investment strategy, and on request from the Ministry of Finance it started to build up a finance company for R&D. In April 1988, the company 'A/S Dansk Udviklingsinvestering' was established with a capital foundation of 0.5 billion DKr. The contributors to this institute were, besides wage-earner funds and pension funds, the Danish Central Bank, private banks, credit associations, insurance companies and some industrial companies (Petersen 1989b, 119–122).

In turn, this started an extensive process of institutional innovation. The following institutions were established:

- the *Forum for Industrial Development*, to map out Danish industry and to discover new export markets;
- the *Steering Group*, consisting of selected persons from the universities, the Ministry of Finance, the Federation of Danish Trade Unions and top managing directors from private economic life; and
- the *Industrial Policy Debate Panel*, which is to analyse the results originating from activities in the Forum for Industrial Development. The panel consists of top civil servants and representatives from the financial market, the employers' associations and the wage-earner organizations.

These institutions have already given rise to a number of important initiatives:

- The Employees' Threshold Fund has initiated the establishment of a number of new independent companies, for instance within oil investigation in the North Sea. Others appear to be on their way, among other things in environmental research and alternative energy sources.
- In various situations, intervention by the Employee's Threshold Fund has prevented foreign take-overs of Danish firms.
- A financing model has been designed to mitigate the crisis in the Danish agricultural sector by replacing freehold with a system of joint stock companies financed through the Employees' Threshold Fund. Companies of this kind have already been established and more are on the way.
- Finally, the Employees' Threshold Fund, accompanied by pension funds, financial institutions and private enterprises, has headed one of the most important and renowned industrial-reorganizational measures. In 1988–89, through an investment company, it took over control of the big fertilizer company called Superfos A/S, installed a new chairman of the board of directors and demanded a restructuring of the company's development strategies. Later, this purchase formed the basis of one of the most important fusions in Danish industrial history between some of the giants within the agricultural-industrial complex and Superfos.

Today, all these initiatives seem subordinate to the 'locomotive strategy'. Through buying up shares and through the so-called shareholder agreements, the actors involved seek to carry out co-ordinated and strategic action in order to meet structural-policy ambitions without the assistance from the state.

Parliamentary Stalemate

The blockages and confusion around the implementation of structural policy are partly caused by the parliamentary stalemate following the general election in September 1987. In the years 1984–87 the four-party bourgeois government (the Conservative Party ('Det Konservative Folkeparti'), the Liberal Party ('Venstre'), the Centre Democrats ('Centrumdemokraterne') and the Christian Party ('Kristeligt Folkeparti')) carried out a stable economic policy in co-operation with the Socio-Liberal Party ('Det Radikale Venstre') as a permanent support party (Weiss 1989). After the 1987 election the previous majority of seats in Parliament for the parties in government and the Socio-Liberal Party crumbled away. The Socio-Liberals declared themselves in an independent position in relation to the government, and the government instead had to operate in a situation full of obstacles as alternative majorities were working against government policy in relation to cultural, environmental, law-and-order, foreign and

security policies. Furthermore, no stable majority could be counted upon in relation to fiscal and other economic-policy matters either. In fact, until the next general election in May 1988, all the major compromises were negotiated with and supported by the Social Democrats (the package of export support measures, the reduction of employer taxes and the final state budget with obvious 'social-democratic fingerprints').

This seems to represent a rather consistent 'big-coalition' policy. The bourgeois government, however, did not succeed in meeting several of its major objectives. Within the government confusion spread about future policy. Clashes and dissolution became the order of the day.

The rebuilding of a new government after the May 1988 election was meant to overcome this situation. The two small bourgeois parties – the Centre Democrats and the Christian Party – were excluded and substituted with the Socio-Liberal Party. Even if this was a minority government it seemed to represent good opportunities. By integration of the Socio-Liberals not only were the stable 'alternative majorities' eliminated, but it also seemed to promise a stable consensual economic policy organizing the broad centre in Danish politics around long-run solutions.

Until now, this has definitely not been the case. Immediately after the change of guards a new alternative majority – including the two former junior partners in the bourgeois government – was formed against cuts in social welfare. Besides, economic policy has been characterized by day-to-day muddling through, not governed by long-run guidelines. Shifting majorities have been mobilized. This was done to the extreme when the Budget was passed in December 1988. A part of it was supported by the Social Democrats; another part by the Socialist People's Party ('Socialistisk Folkeparti'); still another part was passed by the alternative social-policy majority – against the votes of the parties in government; but most of it was supported by the Progress Party, the Centre Democrats and the Christian Party. The total Budget was only passed, however, because of abstentions by the Social Democrats, while the Progress Party voted against. This was a unique situation in Danish parliamentary history. It represented neither a coherent policy, nor a suitable bench-mark for future policy.

In the spring and the summer of 1989 the government seemed paralysed. No major compromises were made. Besides, disagreement within the government seemed to contribute to the parliamentary stalemate. This became quite evident from the events following the proclamation from the Prime Minister in early 1989 that a grandiose plan for the recovery of the Danish economy was prepared by the government. While the Social Democrats succeeded in preparing a rather detailed plan for presentation in April (Socialdemokratiet 1989b), the government plan was postponed until May because of major disagreements among the parties in govern-

ment. This disagreement also had the effect that the final version of what was first announced as 'the greatest plan in the history of Denmark' seemed to be rather ordinary and devoid of vision. The plan (Finansministeriet 1989) simply consists of various tax reductions and of means to counteract the loss of revenue.

Neoliberal Supply-Side Policy

Supply-side economics is by no means a neoliberal invention although the name is normally attached to 'Reaganomics' and 'the Laffer curve'. Danish structural policy must be considered to be 'supply-side economics' in the wider, more scientific definition of the term (Klein 1983).

The government's 'grand plan' is devoid of structural policy measures. It represents a breakthrough within the bourgeois government of a neoliberal supply-side approach to economic policy. This has challenged and hampered the implementation of the structural policy.

The challenge was initiated by the Liberal Party and especially by the Minister of Taxes and Duties (Anders Fogh Rasmussen). He challenged the position of the Ministry of Finance as the dominant governmental campaign institution by creating a parallel one in his own ministry. In campaign documents (Skatteministeriet 1988, 1989) new conceptions were formulated and propagated. It is argued that high (marginal) taxes reduce the supply of labour, savings and risk taking, create pressure for higher wages and distort investments, including decisions on plant localization.

The intra-government struggle about the elaboration of 'the grand plan' ended with a victory for the neoliberal challenger. Tax reductions were given prominence and the macroeconometric models being used by the government to predict the effects of proposed policies were restructured to take account of the presumed causal link between taxes and savings as well as taxes and the supply of labour. It was not, however, a total victory for the neoliberals. No net tax reduction was proposed. The reductions were offset by new revenues or expenditure cuts.

However, the neoliberal supply-side approach has also influenced government policy in other ways. For instance, the plan for restructuring the financing of unemployment benefits (Arbejdsministeriet et al. 1989) and proposals for user payment for public service are inspired by the same way of thinking.

Controversy surrounds the neoliberal supply-side policies and sharp criticism is put foward about the supposed effects of tax reductions. The Economic Council and the chairman of the Central Bank, among others, have criticized the supposed effects on savings as unfounded. Furthermore, the introduction of supply-side-inspired causal mechanisms into the govern-

ment macroeconometric model has been characterized as political and without scientific basis (Sørensen 1989).

The neoliberal supply-side policy has not been integrated into the socio-economic frame of meaning referred to earlier. Controversy reigns instead of consensus. It has, however, challenged and hampered structural policy.

Extreme Minority Parliamentarism

The parliamentary stalemate originates partly from tensions between the elite consensus and popular opinion. At the 1988 election the 'poujadist' Progress Party ('Fremskridtspartiet') was strengthened probably because of an emergent popular dissatisfaction with recent tax reforms and tax increases. According to more recent opinion polls, this is even more so today. The bourgeois government has been highly responsive to this pressure from the Right. It has strengthened the right wing (the Liberal Party) as opposed to its more centre-orientated partners in government. Internal disagreement is sharpened following the weakening of popular support for the government parties and the policy of the government is generally pushed in a right-wing direction if not merely paralysed.

Danish politics seems to have run into a problem of paradox. On the one hand, opinion polls show a clear acceptance in the population as such of the socioeconomic frame of meaning; they show a prevailing agreement on the gravity of the national-debt problem, and even a readiness to make 'great sacrifices (decreases in real wages, etc.) to take the nation out of the crisis' (Petersen et al. 1989). On the other hand, this consensus has not resulted in a stable majority in Parliament or a lasting government coalition or stable support for a lasting economic policy.

Denmark, compared with other Western countries, is the democracy which has had most elections since 1945 (19), and has had the largest number of parties in the legislative assembly (10–11 parties from 1973–81, and since then 'only' 8–9), and, for the longest time, been governed by minority governments.

None the less, Danish parliamentary history shows a high degree of stability. Before 1973, in most of the cases either majority governments or minority governments were established with regular support from one or more non-government parties. Only during the years 1909–10, 1945–53 and 1964–66 were proper minority governments in office 'and at that time, in rather stable conditions' (Rasmussen (b) 1985, 116). In 1973, however, the Progress Party entered Parliament with 28 seats and the Centre Democrats broke out from the Social Democratic Party. The five 'old' parties in total went back from 93.1 percent to 64.3 percent of all votes cast. After this election, a situation of extreme minority parliamentarism arose.

Ever since the first years after the introduction of parliamentary democracy in Denmark in 1901, all governments, irrespective of party colour, have been forced to enter into majority coalitions, to establish stable support from one or two parties outside government or to build shifting majorities behind a stable economic policy. In this way, a number of constitutional norms for creating reliable majorities in case of minority governments has been developed (Rasmussen (b) 1985, 114). None of those are part of the written Constitution, but are nonetheless understood as a customary legal appendix to form a part of 'the living Constitution'. After 1973 some of these norms have been under pressure and since 1983 have plainly been given up, not only bringing an end to parliamentary norms going back as far as to the turn of the century, but also starting a period of 'extreme minority parliamentarism' (Rasmussen (b) 1989).

Extreme minority parliamentarism is characterized by at least five features:

(1) minority governments without permanent majority coalitions;
(2) changing majorities behind economic policies;
(3) no guarantee for majority support of the yearly Budget bill ('Finansloven');
(4) no guarantee that a minority government will step down when outvoted by a majority in Parliament; and
(5) only *ad hoc* attempts to establish a backing from labour-market organization behind economic policy.

Denmark has undergone two periods of extreme minority parliamentarism. The first period was 1973–83, when the governments had to raise shifting majorities behind single compromises in a Parliament characterized by a representation of 10–11 political parties. The second period started in 1987.

In 1983, this situation of extreme minority parliamentarism led to a breach of one of the most important rules in 'the living Constitution'. From about 1920, a norm has ruled in Parliament summoning the so-called 'responsible parties' (especially the four old parties – the Social Democrats, the Liberal Party, the Conservative Party and the Socio-Liberal Party) to vote in favour of the Budget bill at the final vote, even if they did not express any confidence in the government on these occasions or took any responsibility for the Budget (Rasmussen (b) 1989, 165; Rasmussen (b) 1985, 58 ff.). At the final vote on the Budget of 1984, the Social Democrats voted against the bill, which was rejected by a margin of 16 votes (77 votes in favour and 93 against).

Five years later, something exceptional happened again. For the first time, a Budget was passed with a majority which was only a minority of

all votes cast (Rasmussen (b) 1989, 169). Therefore, the breach of the norm in 1983 (also 1929 and 1976) can no longer be considered as parenthetic in parliamentary history. On the contrary, the norm must be seen as changed and in such a way that no future minority government can automatically expect to raise a majority behind the final Budget.

Other parliamentary norms have been altered as a consequence of extreme minority parliamentarism. First of all, it has been customary that a government neither accepts defeat on votes on important policy fields nor accepts more than a few defeats on votes in general without calling an election on the relevant issue. Until May 1, 1987, the four-party bourgeois government, however, accepted at least 55 division defeats at the hands of the alternative majorities (Rødsgård 1987, 8ff; Udenrigsministeriet 1988). Only once did the government take the consequences of a defeat; that was on the rejection of the Budget bill in 1983, when it called for an election in January 1984.

In two particular cases, this development has raised the discussion about parliamentary norms. The first case applies for the occasions when the government has either been forced by a majority to bring in bills which the government itself shortly before has been against, or from which it has dissociated itself at their introduction. Such cases have no parliamentary antecedents in Denmark. In the period 1982–87, however, two such occurrences have happened. The second case relates to an occasion when the government could have expected a vote of 'no confidence', and therefore chose to call for a referendum beforehand. That happened in 1987 in relation to the debates about the EEC package. Cases such as this also have no antecedents.

These defiances of 'the living Constitution' have caused an assertion that the government intends to stay in office, not to accomplish its own policies but to prevent others from accomplishing theirs.

The last token of extreme minority parliamentarism is the circumstance in which the government only by *ad hoc* negotiations seeks support from the big labour-market organizations. From 1975–82 there were no proper trilateral negotiations, understood as negotiations at cabinet and chairman level between the government and the large labour-market organizations. However, there were constantly a large number of informal contacts between the Social Democrats and the organizations, and continuous negotiations were carried out within permanent councils, boards and commissions.

When the bourgeois government came into office, these contacts and negotiations were moderated. The individual ministers saw it as an important task to withdraw much of the formal/informal competence which had been delegated to the organizations represented in public committees since the 1950s. Instead, the government has intended to carry through *ad hoc*

trilateral negotiations in single cases. Thus, in 1984 such negotiations were carried out (about reduction in working hours which lead to a report but no bill), in 1985–86 (about occupational problems which lead to nothing) and in 1987–88 (about a restructuring of employers' taxes which lead to a passing of the bill and a reform of pensions). In December 1987 it finally resulted in the so-called Mutual Declaration from the government and the large labour-market organizations, to maintain the tight wages policy and to carry out a reform of pensions.

These breaches of parliamentary norms have stressed the problem of paradox referred to earlier. In a situation characterized by intensified international claims to structural adjustment and institutional modernization, Denmark has for the first time since the Second World War been subject to a parliamentary situation of extreme uncertainty.

Conclusion

Above we have tried to emphasize how the negotiated economy has shown a capacity for flexible policy response to external pressure. When the established means for demand-side adaptation proved insufficient, a new structural policy evolved to promote flexibility on the supply side of the economy.

The content of the Danish policy response to the crisis of Fordism is perhaps not remarkable in itself. Wages policy, public-expenditure policy and even structural policy have been developed with similar characteristics in many different countries. What is remarkable, however, is the process of policy formulation. Flexible adjustment has occurred with no major political confrontations (as have occurred in Britain), with no overall attack on the autonomy and positions of interest organizations in public administration (as, again in Britain), and with no major ideological clashes (compared with the USA or even Norway and Sweden). The policy formulation has taken place in a multi-centred system and has been characterized by institutionalized campaigning, moulding of interests, compromise and eventually consensus.

The last 2 years have shown divergent trends. Policy implementation has been hampered. The position of interest organizations in public administration has been marginally challenged. Clashes and controversy seem more evident than compromise and consensus.

However, it would be wrong to draw hasty conclusions from these currents. From the point of view of history, daily-newspaper wisdom is almost always wrong. Turbulence tends to divert our attention from the many small and hardly visible steps that sum up to historical trends. Nevertheless, we maintain that the experiences of the last few years make

possible a few tentative conclusions. We have shown that the experiences of the last 2 years do not only stem from ordinary inertia and tardiness. They are also caused by an extraordinary situation of political uncertainty and instability. The government has been paralysed and the emergence of extreme minority parliamentarism has reduced the capacity for majority building and stable support behind a lasting economic policy.

This seems to constitute evidence that supports the conclusion about the interconnection between flexible adjustment and political stability. At least, it is obvious that the weakening of the capability for flexible adjustment coincides with political instability of an extent which, at least in Denmark, is extraordinary.

August 1989

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