
REMAPPING DEBATE

Asking "Why" and "Why Not"

Consider adapting Danish policy choices for U.S.? Centrists and conservatives say ‘yes’

Original Reporting | By Mike Alberti | Alternative models, Politics, Role of government

Oct. 5, 2011 — To judge by the absence of mainstream press and political discussion in the United States about the kinds of public policy choices that Denmark has made — including the creation and maintenance of a robust welfare state supported by business interests, the rejection of a low-wage model, and the influence of an interconnected series of social institutions that foster a sense of active citizenship — the Danish model is about as relevant to the U.S. as an experiment on Mars.

THE DENMARK SERIES

This is the concluding article in our series on the distinctive public policy choices made by Denmark, and focuses on how some conservatives and centrists are troubled by the failure of policy makers in the U.S. to consider how those choices might usefully be adapted here. Make sure to read the previous articles in the series: Part 1: [Business interests lauding the welfare state?](#) Part 2: [The high road to high wages: Denmark's answer to the U.S. model](#) Part 3: [Being a citizen, Danish style.](#)

— *Editor*

But when Remapping Debate recently spoke with several centrist and conservative U.S.-based economists and policy experts, it turned out that many agreed that the Danish experience may offer some valuable lessons for the United States. Though many of them were dubious about the wholesale “exportability” of the Danish model, most were willing to discuss seriously specific Danish policy choices that, they believe, may offer valuable lessons for American policy makers.

And they all agreed on another important point: the discussion of policy options in the United States is becoming increasingly circumscribed, effectively excluding options that — regardless of their effectiveness or desirability — fall outside the realm of what is considered “feasible.”

“One can disagree with the general thrust of a what a country is doing,” said David Mitchell, a senior fellow at the libertarian-oriented Cato Institute, “but we should never let that prevent us from looking to see if any specific policies are working and if they might be adapted.”

Tax policy

Tax policy is one of the primary areas where Denmark’s choices challenge predominant political dogma in the United States. Denmark imposes ([by some measures](#)) the highest tax burden in the Organization of Economic Cooperation and Development (OECD), with tax revenues approaching

50 percent of gross domestic product (the United States collects 24 percent of GDP in tax revenues, 2 one of the lowest rates in the OECD). But Denmark's relatively high tax rates have not translated into poor economic performance. Though the average Danish worker makes slightly less than the average American worker, he or she also works fewer hours and is provided substantially more services through the Danish welfare state. The unemployment rate in Denmark has been consistently lower than the U.S. unemployment rate for more than a decade, while average rate of annual growth in GDP per capita [has rivaled the United States](#) for decades.

Many conservatives have long been aware of these statistics: "The Scandinavians show that you don't have to have a terrible economy if you have a big welfare state and high taxes," Kevin Hassett, a senior fellow at the American Enterprise Institute, a conservative think-tank, [said several years ago](#).

Jacob Kierkegaard, an economist at the centrist Peterson Institute for International Economics, agreed with that statement, though he added that the top marginal income tax rates in Denmark, at 63 percent, has probably had a stifling effect on growth (the top U.S. marginal income tax rate is currently 35 percent).

"I think they would do well to lower that to about 50 percent," he said, "but flipping that around to the U.S., I don't believe that anything that has been discussed in recent years in terms of tax increases is going to have any crippling effect whatsoever."

Others, however, remained unmoved. Bryan Caplan, a conservative economist at George Mason University, conceded that the Danish economy is in relatively good shape, despite its high tax rates. "But you always have to ask what it could have been," he added.

Though he said that it is difficult to estimate what Denmark's growth could have been had their tax rates been lower, Caplan said that the Danes were probably accepting a tradeoff between higher economic growth rates and the social programs that are financed by those high taxes, particularly the free, universal health care and higher education systems, which are two of the most expensive — and most popular — parts of the Danish welfare state.

"That's not the decision I would make, but it seems to work fine for them," Caplan said.

Kierkegaard suggested that Danish tax policy may also offer some lessons in connection with the potential elimination of long-sacrosanct tax deductions. For example, he said, the Danes phased out their version of the mortgage-interest deduction in the 1990s, a policy that was generally considered successful. The mortgage-interest deduction allows taxpayers to deduct the amount of interest they have paid on a home loan from their overall taxable income. In the United States, the mortgage interest deduction is the third most expensive tax expenditure, costing the government about [\\$80 billion](#) in 2009. And despite acknowledgment by a wide range of authorities — from the conservative [Tax Foun-](#)

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[dation](#) to the [International Monetary Fund](#) — that this policy overwhelmingly benefits wealthy families, American policy makers [have been hesitant](#) to tinker with the deduction.

“The Danes show that you can phase out something like that without causing huge problems,” Kierkegaard said. The tax revenue that the Danish government regained from phasing out the provision has “been channeled into more productive investments, especially in infrastructure,” and has also lessened Denmark’s vulnerability to housing bubbles, he added.

Worker training and the welfare state

Remapping Debate has [previously reported](#) on the ways in which the Danish welfare state offers benefits to businesses as well as individual citizens. Helle Dale, a senior fellow at the conservative Heritage Foundation, said that Danish businesses have profited in particular from an extensive system of worker training programs.

“The Scandinavians show that you don’t have to have a terrible economy if you have a big welfare state and high taxes,” said Kevin Hassett of the American Enterprise Institute.

“Danish industry certainly benefits from having a workforce that is highly trained,” she said. Dale emphasized that a large investment in vocational training in Denmark has created skilled-work opportunities for many Danes, and that American policy makers may want to consider providing greater support for community colleges and vocational schools.

Kierkegaard agreed that Denmark’s heavy investment in education and training merits examination.

“I certainly think, not least in the situation that we’re in right now, when long-term unemployment risks becoming a structural feature of our economy, Denmark has a story to tell,” he said.

Dale cautioned, however, that the Danish vocational system would only be possible to replicate on a local or state level in the United States, “because it takes a very high level of social cohesion and sense of community.”

Danish businesses have also benefited from a labor pool that includes more women, Dale said, “which is only possible because of affordable state-run day care [and] kindergartens.”

Again, Kierkegaard agreed. “If you’re a business and you think a larger and larger share of your skilled workforce is going to be women, then you bloody well need to have affordable child care facilities available,” he said. “If I were a business, I wouldn’t want to pay for that individually. I’d want that to come out of a general fund.”

Molly Brogan, the vice president of public affairs at the National Small Business Association, a non-partisan advocacy group that represents over 150,000 businesses in the United States, said that while the Association does not have formal views on childcare or eldercare policies, they do believe that the United States government could reduce the burden of providing health care from businesses.

“Our members generally believe that having a system where health care is affordable and accessible to everyone would be a benefit for businesses because it creates a healthier workforce,” she said.

Kierkegaard said that, if such programs were to be adopted in the United States, they would have to be adapted. “The U.S. is a much bigger, much more diverse country than Denmark,” he said, making the administration of large-scale social welfare programs difficult. Nevertheless, he added, it is not as if the United States does not have any experience implementing massive programs both through the federal government, like Medicare and Social Security, and through the states, such as Medicaid.

Strong cohesion

Remapping Debate [has previously](#) reported how the interaction between many Danish institutions — such as the welfare state, the educational system, and the government — serves to reinforce a sense of trust and civic-mindedness among citizens. Though they were divided as to how desirable this public-spiritedness is in a society, every expert interviewed for this article acknowledged that the government has the power to facilitate trust and collectivity.

“Overall, it is true that the institutions of public education, the welfare state, child care and the health care system help to foster a sense of national cohesion,” Dale said. “Its foundation is a social contract that is generally accepted. If you look at surveys, the Danes are the happiest people in the world, and this is one of the reasons.”

Scott Sumner, a conservative economist at Bentley University and a prominent [blogger](#), said that one of the major things that a government can do to facilitate trust and social cohesion is to take steps toward becoming as transparent and accountable as possible, something he says the United States has failed to do.

“Our tax system is littered with these loopholes that serve special interests and business groups,” he said. “That does not encourage most people to trust the government.”

Kierkegaard emphasized the importance of the universal nature of Denmark’s welfare programs in facilitating collectiveness. “Because everybody is interacting with the state often and from a young age, and because the benefits from most Danish welfare programs are the same for everybody, the Danes see the state more as a reflection of the public than as an exterior institution,” he said.

He suggested that the fragmented nature of the provision of social benefits in the United States has contributed to a more individualistic and competitive culture. One way that this could be remedied, he suggested, is by taking steps to quell the trend of privatization, especially of schools.

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Daniel Mitchell of the Cato Institute agreed that the Danes had managed to foster a more collectivist, public-spirited citizenry, and said that much of that can be attributed to the egalitarian nature of Danish society. He added, however, he believed that Denmark had accepted a tradeoff between collective spirit and a focus on individual achievement.

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Bryan Caplan agreed. “I think societies like that are bad,” he said. “I think societies where people focus solely on individual achievement and judge themselves based on what they’ve accomplished, not what their societies have accomplished, are better societies. So, great, your society has done this and this, but what have *you* done?”

When asked whether he believes a society should ever take responsibility for those members who are not able to achieve individual success, Caplan said, “I see a lot of value in pushing yourself to your limits and making the best of what you’ve got.” In follow-up emails, Remapping Debate asked Caplan why it would not be possible for an individual to take pride in both individual and societal accomplishments, but Caplan did not respond.

Sumner agreed that there may be a tradeoff between collectivism and individualism, but added that there are indisputable benefits to having a more public-spirited, collectivist society. For example, he said, collectivist societies enjoy far less social strife, are able to maintain broad public support for the high tax rates that finance beneficial social programs, and are more likely to work towards long-term goals, such as large infrastructure projects.

In Denmark’s case, Sumner also credited the system of proportional electoral representation, unicameral legislature, and the parliamentary system of governance as reinforcing social trust, because they allow fewer opportunities for a minority of elected officials to impede the will of the majority.

“That pretty quickly makes citizens disenchanted with the government,” he said. “Even when I disagree with the reforms that are proposed in Washington, I don’t like the fact that they can be blocked by a minority representing an even smaller minority of voters.”

While he acknowledged that changing the electoral system would be a formidable challenge, Sumner did say that there were certain lessons that American policy makers could learn from Denmark.

“It is not legislatively difficult to abolish the filibuster,” he said.

“Ideological blinders”

Though they disagreed about the virtues of specific policy choices, every expert interviewed for this article agreed that they warranted spirited public discussion.

Kierkegaard said that American policy makers seem less and less inclined to explore options that require them to think outside of their usual frame of reference. “The truth is that Denmark and a lot of other countries are dealing with exactly the same challenges — an aging population, environmental issues, competition from emerging economies — that we are,” he said. “There has never been a better time for U.S. policy makers to look abroad for solutions. We still have this notion of American exceptionalism.”

Remapping Debate repeatedly contacted the offices of several members of Congress from both parties and of various ideological orientations to ask them what lessons they believed could be learned from Denmark’s success. Only one — Roscoe Bartlett, a Republican from Maryland and a member of the Tea Party Caucus — responded, saying that his duties “preclude him from providing informed comments.”

Kierkegaard emphasized that there are several policy debates currently underway in the United States that could greatly benefit if participants stopped to study the responses of other countries to the issues they are seeking to address. In particular, he said, Danish policy choices are especially relevant to the ongoing discussions over tax revenues and Trade Adjustment Assistance (TAA), the federal program that provides benefits and retraining to workers who have suffered from the effects of increased imports, or whose employers have relocated to other countries. TAA was temporarily expanded in 2009 as part of the federal stimulus package, and the Senate [voted](#) last month to extend the expanded version of the legislation, while many House Republicans have [balked](#).

But there is no discussion, even among Democrats, about extending the system of worker training still further, as Denmark has successfully done, Kierkegaard said.

“I attribute that [unwillingness] almost completely to ideological blinders,” he said. “It’s hard for me to come up with an empirically-based explanation of why you would not want to have something like that, since it’s been proven to work quite well in other countries.”

When asked why American policy makers were so resistant to looking outside the United States for examples of successful policies from abroad, the most common response among those interviewed for this article was that politicians were too consumed with “ideology.”

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“Political discussion has become so polarized that we have become blind to anything that falls outside of a party line,” Kierkegaard said.

Brogan of the National Small Business Association said that even among the Association’s membership, ideology played a part in determining their advocacy positions. “Many of them are uncomfortable with anything outside of a pure free-market ideology,” she said, “even if it seems quite practical.”

Mitchell agreed, and added that he often tries to use examples from other countries to support his recommendations, usually to no avail.

“It’s a challenge because a lot of politicians — and this is a general point that’s applied to Republicans and Democrats equally — they don’t care that much about policy,” he said. “Most politicians are concerned with running races and raising money and accumulating power, and every once in a while they talk about policy because they remember that that’s what the public thinks their job is.”

This article originally appeared at <http://remappingdebate.org/article/consider-adapting-danish-policy-choices-us-centrists-and-conservatives-say-yes>