

The Political Economy of Danish European policy, 1950 to 1973

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Denmark's accession to the European Community (EC) in 1973 can fundamentally be explained by the economic and commercial advantages membership offered.¹ However, although numerous scholarly contributions have explored different aspects of what could be called the political economy of Danish European policy before 1973, a comprehensive and systematic analysis of the period from 1950 to 1973 is still lacking. In this paper such an analysis will be provided. The main purpose is to provide a coherent understanding of the role played by the political economy in the shaping of Denmark's policies vis-à-vis the process of European integration. The literature on European integration as well as Denmark's European policy has a number of distinct hypotheses to offer to such an analysis. It will be a secondary task to test these on basis of the empirical evidence presented. Before we carry on let us briefly recapitulate the most important interpretations.

Several of the most prominent theories of European integration focus on how the political economy of the Nation state functions and drives the process forward. A central notion in both the integration theory promoted by Alan S. Milward and liberal intergovernmentalism developed by Andrew Moravcsik is that Western European states was exposed to rising economic interdependence caused by the rapid expansion of Western European trade and division of labour during the 1950s and 1960s. It was on this background that the Six founded the EC in 1958 and it was the same economic forces that gradually pulled other Western European countries into the orbit

¹ Although recent contributions confirm this basic argument, they also qualify it somewhat. The particular way Denmark entered were in fact very much shaped by other factors such as national identity and popular perceptions of Continental Europe that by playing into party politics turned the Danish embrace of the EC into a hesitant one. The renowned Danish ambivalence towards EC-membership to a large extent crystallised in the political battle over Danish accession from 1970 to 1973. See for example Morten Rasmussen, *The Hesitant European. History of Denmark's Accession to the European Communities 1970-1973*, *Journal of European Integration History*, 2005, vol. 11, no. 2 and Johnny Laursen, *A Kingdom Divided: Denmark*, in Wolfram Kaiser (ed.), *European Union Enlargement – A Comparative History*, (Routledge: London and New York, 2004).

of the EC.² The two theories differ significantly with regard to the explanation of the political response to economic interdependence, or what is often termed national preference formation. While Milward is emphasising the role of parliamentary politics and the state administration in formulating European policy, Moravcsik highlight the role of producer organisations to the degree where the majority of economic interests determine the attitude of the parliamentary majority and government.

Research on Denmark has always focused on the political economy of Danish European policy. Pioneering studies by Gunnar P. Nielsson and Peter Hansen emphasised the close links between societal interests and political parties. According to Hansen the influence of the three main interest groups in Danish society, i.e. agriculture, industry and labour, was of such a magnitude that parliament normally would follow the “economic majority” if two or more agreed.³ Two Danish historians, Vibeke Sørensen and Johnny Laursen, have in the 1980s and 1990s placed parliamentary politics at the centre of attention.⁴ Two major societal conflicts stemming from the process of economic modernisations shaped Danish European policy in the period. One conflict played out between the Social Democratic Party/the trade union movement and the Agrarian Liberal Party/agriculture over the place of the agricultural sector in process of industrial modernisation that Denmark experienced after 1950. The second conflict took place inside the labour movement over the priorities of industrial modernisation. Modernists emphasised the need for economic growth to secure the financial basis of the welfare state and considered Denmark’s participation in the process of European integration an indispensable means to achieve this end. Traditionalists gave highest priority to economic redistribution and preferred Nordic cooperation to European integration because the former would promote social democratic values, while the latter was believed to represent a grave danger to them. Sørensen in particular emphasised how membership of EFTA combined with the establishment of a universalistic, tax financed welfare state in the 1960s

² Alan Milward, *The European Rescue of the Nation State*, (London 1992) and Andrew Moravcsik, *The Choice for Europe. Social Purpose & State Power from Messina to Maastricht*, (New York 1998).

³ Peter Hansen, Denmark and European Integration, *Cooperation & Conflict*, no. 1, 1969 and Gunnar P. Nielsson, *Denmark and European Integration: A Small Country at the Crossroads*, Ph.D., University of California, Los Angeles, 1966.

⁴ See in particular: Johnny Laursen, Next in Line. Denmark and the EEC Challenge, in Richard T. Griffiths and Stuart Ward (eds), *Courting the Common Market: The First Attempt to Enlarge the European Community, 1961-63*, (London 1996); Johnny Laursen, Mellem fællesmarkedet og frihandelszonen. Dansk markedspolitik 1956-1958, in Birgit N. Thomsen, *The Odd Man Out – Danmark og den europæiske integration 1948-1992*, (Odense 1993); Vibeke Sørensen, The Politics of Closed Markets: Denmark, the Marshall-Plan and European Integration, 1945-1963, *International History Review*, vol. XV, no. 1, 1993; Vibeke Sørensen, Den skandinaviske model og Europa - dilemmaer i dansk arbejderbevægelses holdning til europæisk integration 1950-1980, *Årbog for Arbejderbevægelsens Historie*, 1991 and Vibeke Sørensen, Between Interdependence and Integration: Denmark’s Shifting Strategies in Alan S. Milward and others, *The Frontier of National Sovereignty. History and Theory 1945-1992*, (London 1993)

removed Denmark from Continental Europe and strengthened the social democratic traditionalists. Milward has in a recent essay on Denmark's (and Ireland's) road to economic modernisation further expanded the historical consequences of Sørensen's argument of Danish exceptionalism. Pointing out that Denmark was one of the only Western European countries for which Germany did not become the main market for their manufactured exports, he argues that Denmark on purpose restricted trade with West Germany because of the fear that German competition might endanger the Danish welfare model.⁵

What is clear is that there exist several competing propositions about what aspects of the political economy are central to the formulation of Danish European policy. Likewise no consensus exists with regard to the mechanisms of national preference formation. The empirical analysis will clarify and qualify these questions. The first section will present the main social and political actors of the Denmark's political economy and describe formal and informal links and networks between them. A second section will analyse Denmark's economic development from 1950 to 1973 with an emphasis on the development of Danish foreign trade. Finally, a third section will offer three analyses of decisive decision-making processes in Danish European policy, namely; the decision not to join the EC but instead EFTA from 1956 to 1960, the decision to push for a Nordic Common Market from 1968-1970 and finally the decision to join the EC from the first application in 1963 to final accession in 1973. All three case studies are based on archival documentation and explore at the most fundamental level the role played by the political economy in the most important decision of Danish European policy in the period.

The Constitutional and Political Framework⁶

With special reference to the Council of Europe and the European Coal and Steel Community, the new Danish constitution of 1953 had with § 20 introduced a specific set of conditions for the transfer of sovereignty to supranational organisations.⁷ Paragraph 2 of § 20 stipulates that statutory law delegating sovereign authority to supranational bodies requires a 5/6-majority in parliament for

⁵ Milward, Alan: *Politics and Economics in the History of the European Union - The Graz Schumpeter Lectures*, (New York and London: Routledge, 2005), pp. 39-78.

⁶ This section owes heavily to Gunnar P. Nielsson, *Denmark and European integration. A Small Country at the Crossroads*, Ph.D. dissertation, University of California, 1966.p. 110ff.

⁷ According to Stanley V. Anderson (Stanley V. Anderson, Article Twenty of Denmark's New Constitution, *The American Journal of International Law*, Volume L, no. 3, 1956). The insertion of § 20 was inspired by the 1952 Congress of the Inter-Parliamentary Union in Berne, which urged the national delegations to prepare for the institutionalisation of the process of national sovereignty in the future. Gunnar P. Nielsson, "Denmark and European Integration...", op.cit, p. 139. See also Søren Eigaard, *Idealer og Politik: Historien om Grundloven af 1953*, (Odense 1993).

passage. Failing that, but obtaining an ordinary majority and having the Government maintain the law, it must be submitted to the electorate for approval by referendum according to § 42 of the Constitution.⁸ The constitutional requirements made all but a very broadly founded European policy politically irrelevant. Thus, it placed Danish European policy at the centre stage of parliamentary policy with all its aspects of inter-party struggle.

Constitutionally, foreign policy was according to § 3 the prerogative of the government and the King. This prerogative was tempered by § 19 according to which the consent of parliament by ordinary majorities was obligatory for the government to ratify political treaties, tariff and trade agreements. Besides this general right to check the executive, parliament had several other means to influence the foreign policy in its making and thus avoid being faced with a *fait accompli* by the government. At the general level of parliament, the use of interpellation (forespørgsel) was an important instrument to obtain information about current foreign affairs and possibly influence on ongoing international negotiations conducted by the government. Parliamentary debates resulting from interpellations were instrumental in the effort of parliament to influence Danish European policy.⁹ Although the foreign minister could, according to § 21, refuse an interpellation if it was considered to be in conflict with general national interest, the need for consensus on European policy meant that this option was never used.

An additional forum for parliamentary control of the executive was the Parliamentary Foreign Affairs Committee. Established by ordinary statutory in 1923, this committee was given constitutional status with the new 1953 Constitution. The committee functioned as a means by which the Ministry of Foreign Affairs could keep parliamentarians informed on the developments in foreign policy-making and as an advisory body. According to § 19 in the 1953 Constitution the government was obliged to inform the committee “before every decision of greater foreign policy

⁸ § 20 of the 1953 Constitution reads in Danish: 1) Beføjelser, som efter denne grundlov tilkommer rigets myndigheder, kan ved lov i nærmere bestemt omfang overlades til mellemfolkelige myndigheder, der er oprettet ved gensidig overenskomst med andre stater til fremme af mellemfolkelig retsorden og samarbejde. 2) Til vedtagelse af lovforslag herom kræves et flertal på fem sjettedele af folketingets medlemmer. Opnås et sådant flertal ikke, men dog det til vedtagelse af almindelige lovforslag nødvendige flertal, og opretholder regeringen forslaget, forelægges det folketingsvælgerne til godkendelse eller forkastelse efter de for folkeafstemninger i § 42 fastsatte regler. (Danske Forfatningslove 1665-1953, (København 1970)) Translated § 20 reads: 1) Powers vested in the authorities for the Realm under this Constitution Act may, to a clearly defined extent as shall be provided by Statute, be delegated to international authorities set up by mutual agreement with other states for the promotion of international rules of law and cooperation. 2) For the passing of a Bill dealing with the above, a majority of five-sixths of the Members of the Parliament shall be required. If this majority is not obtained, whereas the majority for the passing of the Bills is obtained, and if the Government maintains it, the Bill shall be submitted to the electorate for approval or rejection in accordance with the rules for Referenda laid down in § 42.

⁹ An overview over interpellations debates from 1957 to 1970: Dan Larsen, *Folketinget og den europæiske integration 1957-1972*, unpublished working paper, February 1992.

significance.” The committee consisted of seventeen members selected according to the proportional strength of the parties. Serious limitations existed to the degree of control the committee could wage over the government’s conduct of foreign policy. The committee only had consultative status, the foreign minister could impose a rule of silence on sensitive issues and was not forced to reveal more information than he/she considered advisable in the situation. This obviously also applied to European policy, but here the need for a broad parliamentary backing clearly tempered whatever wish a government had for independence.

In response to the increased saliency of European policy, and as a step to promote consensus on the issue, a Parliamentary Market Committee (Folketingets Markedsudvalg) was established in August 1961 to monitor the Danish membership negotiations with the EC. The committee became permanent after the failure of the 1961-1963 enlargement negotiations and remained the main forum for European policy discussion during the 1960s. While the Committee had no constitutional basis, the need to promote consensus on European policy meant that the committee was well informed and consulted on all important matters concerning European policy.

The Danish interest organisations were informed about Danish European policy in the Committee Concerning Denmark’s Economic Cooperation with Other Countries (Udvalget vedrørende Danmarks økonomiske samarbejde med andre lande) that had been founded during the Marshall Plan days. Here the Foreign Minister informed the interest organisations about recent developments and responded to questions or criticism. If the government or the state administration wanted to consult the interest organisations about a pending foreign political issue, ad hoc meetings were arranged with the interest organisation (s) in question. Influence by the interest organisations on the state administration varied. Traditionally, the agricultural interest organisations had exerted a strong influence on the running of the Ministry of Agriculture and agricultural representatives even negotiated bilateral trade agreements until the mid 1950s. It was also a characteristic feature that the Ministry of Agriculture in most matters relied on the agricultural organisations for agronomic expertise.¹⁰ However, with the increasing foreign political importance of European integration, the Ministry of Foreign Affairs gradually monopolised decision-making. In 1966, a Market Secretariat was established that not only became the centre of decision-making at the administrative level, but also developed the leading expertise on the functioning of the EC.¹¹ While agriculture, industry and

¹⁰ Flemming Just and Thorsten Borring Olesen, Danish Agriculture and The European Market Schism, in Thorsten Borring Olesen (ed.), *Interdependence Versus Integration – Denmark, Scandinavia and Western Europe 1945-1960*, (Odense 1995), p. 131.

¹¹ See the published reports on Denmark and the EC from 1967 onwards: Udvalget vedrørende Danmarks forhold til De europæiske Fællesskaber, *Danmark og De europæiske Fællesskaber, Bind 1-2*, (København 1968). Udvalget

the trade union movement also established administrative units to improve knowledge about the consequences of European integration, they would to a large extent rely on the expertise of the Market Secretariat. With the strengthening of the central administration, even the Ministry of Agriculture would with the accession to the EC in 1973 completely disentangle itself from the grip of the agricultural organisations.

The Danish party system's historical roots date back to the end of the 19th Century and early 20th Century. It was a stable multiparty system with a handful of mass parties based on individual membership. All parties were highly centralised nationally and with a rather tight party discipline. As Denmark was an ethnically homogeneous society, with no unsettled borders¹², and with no religious or regional cleavages, the main societal conflicts expressed in the political system was therefore of a socioeconomic nature. In fact, the four old parties of the party system were based almost exclusively on socioeconomic stratification and all had close relations with their respective interest organisations.

The Agrarian Liberal party (Venstre) was the oldest party and still after 1945 either the second or third largest party or parliament. The electoral support of the party was mainly found among the farmers, with the rest made up by primarily blue-collar workers and the lower echelon of white-collar workers. The party had traditionally represented the interests of farmers and continued to do so after 1945, while gradually developing also into an urban party. The links between the party and the agricultural interest organisations were informal and consisted mainly in the numerous examples of overlapping memberships of key persons.¹³

The differing interests of the agricultural sector were expressed in the existence of several organisations. Danish farmers were divided into different organisations according to the size of their farm. The Federated Small Holders' Organisations (De Samvirkende Husmandsforeninger) represented farms of between 10 and 25 acres and had 92.746 members in 1961 with a steep decline

vedrørende Danmarks forhold til De europæiske Fællesskaber, *Danmark og De europæiske Fællesskaber, Supplerende Bind 1-4*, (København 1969-1973).

¹² The dispute over the border territory between Denmark and Germany, i.e. Schlesvig, finally found a satisfactory and stable solution in a plebiscite in 1920. The border was thus not reshaped under German occupation from 1940-1945. From 1945-47, a popular movement emerged to move the border southwards and include the entirety of Schlesvig in Denmark. The agrarian liberal Prime Minister, Knud Kristensen, supported this claim, but was forced to resign on the issue in October 1947, when a majority in parliament refused to consider a border revision. The issue died down in the following years and did not resurface again. An overview is given in Thorsten Borring Olesen and Poul Villaume, I blokopdelings tegn, *Dansk Udenrigspolitisk Historie Bind 5*, (Danmarks Nationalleksikon: København, 2005), p. 62ff, The following is the standard work on this question: Johan Peter Noack, *Det sydslesvigske grænsespørgsmål 1945-1947 I-II*, (Åbenrå 1990).

¹³ For example Anders Andersen, who was the President of the Agricultural Council and chairman of the Federated Farmers Associations, served not only as a member of parliament, but held leading positions in the party for example as representative in the Parliamentary Market Committee.

following during the 1960s. The Federated Farmers' Associations (De Samvirkende Landboforeninger) represented farms from 25 to 200 acres and was the largest organisation with 134.000 members in 1961. Finally, the small Central Association of the Large Estate Owners Organisation (Tolvmandsforeningernes Centralforening og Majoratsforeningen) represented the largest farms and had 1500 members in 1961. The rural cooperatives and producers were organised in the Federation of Rural Cooperatives and Producers Associations (De Samvirkende Danske Andelsselskaber). The combined Danish agricultural interests had before the Second World War been organised in the Agricultural Council, however in 1940 the difficulty with defending the interests of the small holders meant that The Federation of Small Holders' Organisations left the Agricultural Council. This main dividing line in Danish agriculture was maintained after 1945 and was also expressed in the affiliation of the small holders to the Social Liberal Party (see below). The Agricultural Council remained, although weakened by the independent position of the small holders, the main agricultural interest organisation and maintained very close relations with the Agrarian Liberal Party.

The Conservative Party (Det Konservative Folkeparti) competed with the Agrarian Liberal Party to be the largest right wing party. The conservatives based their electorate support among the upper-middle and upper-strata of white-collar workers and independent businessmen. Most of their electorate lived in urban areas. The party was closely affiliated with industry and commerce, although like the agrarian liberals the links were informal and constituted mainly by overlapping membership of both the party and the leading interest organisations representing industry and commerce. Danish industry was organised in two parallel organisations with overlapping membership. The Industrial Council (Industrirådet) represented approximately 3500 industrial branch organisations including all the larger industries. The Industrial Council functioned as the spokesman of Danish industry vis-à-vis the state administration and the public. The Federation of Danish Employers (Dansk Arbejdsgiverforening) covered more than half of the total organised labour force.¹⁴ The federation was mostly concerned with domestic industrial relations and collective bargaining. Less important to the Conservative Party were Danish commerce that was organised in four independent organisations.¹⁵

¹⁴ Employers in agricultural-processing industries, retail trade and small handicraft formed their own autonomous organisations. Gunnar P. Nielsson, "*Denmark and European Integration...*", op. cit, p. 117.

¹⁵ The Wholesale Occupation was organised on a geographical basis in The Committee of the Merchants' Guild (Grossererersocietets Komite) in Copenhagen and The Provincial Trade Commerce (for the rest of Denmark). Retailers were organised in two peak organisations. The grocers had a special national organisation, The Federation of Grocers' Association (Købmandsforeningen), while the merchants were organised in The Federation of Danish Retailers

The Social Liberal Party (Det Radikale Venstre) was founded in 1905 after a split of the Agrarian Liberal Party. The party was the most heterogeneous party of the four old parties with an electoral basis constituted by the small holders and a cross section of blue and white collar workers, professionals and independent businessmen. In terms of links with socioeconomic interests, the party had close links to the Federation of Small Holders' Organisation. Again, the links were informal and consisted mainly of persons occupying central positions both in the party and in the Federation of Small Holder's Organisations.

The Social Democratic Party (Socialdemokratiet) was the largest party in Denmark after 1945 with around 40 per cent of the vote. Its electorate consisted mainly of blue-collar and old age pensioners, with its remaining votes coming from the lower echelons of white-collar workers. The party held very close links to the strong Danish trade union movement. The Danish trade union movement was organised in a peak organisation, The National Organisation of the Federated Trade Unions (Landsorganisation i Danmark). With 3617 separate unions comprising a total membership of 776.457 in 1960, the National Organisation was the largest aggregate interest organisation in Denmark. While the National Organisation held a very strong influence over the many trade unions, in particular the two largest trade unions, The Danish Labourers Union (Dansk Arbejdsmandsforbund) and the National Union of Smiths and Machinists (Dansk Smede- og Maskinmesterforbund) were important actors in their own right. While the members of trade unions did not join the party as collectively affiliated members, the National Organisation elected two members to the party's executive committee (forretningsudvalget), one of them being the chairman of the National Organisation. The trade union movement had also historically been the primary source for recruitment for the top party leadership. This was gradually changing during the 1950s with the appearance of a new generation of social democrats educated as economists, the so-called cand. polit.-generation.¹⁶ With the nomination of Viggo Kampmann as Prime Minister in 1960 this new generation, to which also Jens Otto Krag belonged, had finally seized the most important posts in the party. However, the old trade union based politicians continued to wage a high degree of influence in the party. One channel of influence was The Economic Council of the Labour Movement (Arbejderbevægelsens Erhvervsråd) in which the executives of the National

Association (De Danske Handelsforeningers Fællesorganisation). Gunnar P. Nielsson, "*Denmark and European Integration...*", op. cit, p. 117ff.

¹⁶ See the following article for an analysis of the importance of this generation to Danish European policy. Johnny Laursen, De nye mandariner i dansk markedsdiplomati: Jens Otto Krag og embedsmændene, 1953-1962, *Vandkunsten*, no. 9/10, 1994

Organisation played a central role. The Economic Council of the Labour Movement functioned as the spokesman of the trade union movement in matters of economic and social importance.

Since the foundation of the Social Liberal Party in 1905, the four old parties had dominated Danish politics. Two blocks were formed with the Conservative Party and the Agrarian Liberal Party trying to balance the large Social Democratic Party. The Social Liberal Party held the centre ground and chose as a result of animosity to the Conservative Party with a few exceptions since 1929 to support or participate in social democratic led governments. Although a number of smaller parties such as the Communist Party (Danmarks Kommunist Parti) and the Justice Party¹⁷ (Retsforbundet) from time to time were represented in parliament, it was only with the formation in 1958 of the Socialist People's Party that the old party system fundamentally changed. Former communists founded the Socialist People's Party after a split of the Communist Party after the 1956 Hungarian Uprising. Among the leading forces behind the new party was the former leader of the Communist Party, Aksel Larsen. Despite this political legacy, the Socialist People's Party gradually became accepted as a democratic and leftwing alternative to the Social Democratic Party. The party would become still stronger during the 1960s and managed not only to use the 1968-movement to its advantage but also to include the increasing number of public employees created by the establishment of the welfare state in its electorate. The emergence of the Socialist People's Party during the 1960s as a political factor in the parliament, forced the Social Democratic Party not only to perform a balance act towards the Social Liberal Party, but also towards the left to avoid the loss of votes to the people's socialists.¹⁸

Danish politics were dominated by a search for political consensus, in particular among the four old parties. Proposals by the government were typically negotiated in an ongoing process of bargaining between the parties resulting in amendments to secure the broadest possible support to the final law. In this bargaining process, pragmatic bartering and procedural skills were of higher value than oratory prowess. While Danish political culture as it developed since the middle 19th Century was important to the emergence of this consensus culture, which probably had its epitome from 1929 to 1973, the configuration of the four old parties in parliament contributed to the moderation of party doctrines in order to assume office or become an effective opposition. None of

¹⁷ The Justice Party formed in 1919 was a highly ideologically oriented party basing its programme on a mixture of the ideas of Henry George's doctrine of the single tax on real estate and a laissez faire philosophy. Their policy ran against the consensus on the Danish welfare state that developed between the four old parties from 1959 onwards, and that probably contributed to the complete demise of the party. About the consensus between the four old parties on the establishment of the Danish welfare state see: Klaus Petersen: "*Fra legitimitet til legitimitetskrise...*" op. cit., p. 131ff.

¹⁸ Jens Kragh, *Mellem socialismens velsignelser og praktikable fremskridt - SF 1960-68*, (Odense 1995) and Niels Christian Nielsen, *Man har et standpunkt...* - SF's EF-politik 1959-1993, *Den jyske Historiker* no. 93, 2001.

the two blocks could assume governmental power without moderating their views so they were acceptable to the Social Liberal Party. Even in opposition, this tempered possible social democratic wishes to ally itself with the Communist Party or after 1958 with the Socialist People's Party. The competition for electoral basis by the four old parties also tempered doctrinaire party behaviour. The rise of the tertiary sector of services meant the competition for the votes of this large group of the electorate mattered greatly to the future strength of the parties. All four parties thus had to avoid narrow policies based exclusively in the socioeconomic group traditionally supporting the party.

For these electoral reasons the close relations between the four old parties and their respective socioeconomic interests did not mean that the latter controlled or dictated the policies of the former. Rather as the leading political analyst, Tage Kaasted, expressed it:

It is the general condition in Danish politics that direct interest group pressures on a political party ordinarily are exceptional. This does not exclude the political parties from taking positions of the interest organisations into consideration; however, the situation is probably that of the political parties always knowing what is going on within these organisations and therefore, at an early stage of decision-making, taking those sentiments and positions they find opportune and reasonable into consideration when the parties form their own stand.¹⁹

While socioeconomic interests thus find a very evident expression in Danish parliamentary politics the complicated network of personal relationships and power relations in the top of the political parties and their respective interest organisations complicates the picture.

The constellation of the party system had important consequences to Danish foreign policy. The Social Liberal Party had since its foundation in 1905 been pacifist and neutralist and, together with the Social Democratic Party, had been the main proponent of Denmark's neutrality policy in the 1930s. The experience during the Second World War changed the view of the Social Democratic Party, although a strong minority in the party continued to support a policy of nonalignment. After failed attempts to negotiate a Nordic Defence Union in 1948-49, the social democratic government finally opted for NATO membership with the support of the Agrarian Liberal Party and the Conservative Party. The Social Liberal Party, however, opposed Danish membership of NATO and continued to harbour aspirations of a return to neutrality. The parliamentary importance of the Social Liberal Party meant that Danish NATO-membership continued to be a sensitive issue in Danish politics and it meant that Danish security policy had to

¹⁹ Tage Kaarsted, *Regeringskrisen i 1957. Trekantregeringens tilblivelse*, (Århus 1964), p. 179f., Cited from Gunnar P. Nielsson, "Denmark and European Integration...", op. cit, p. 134f.

be carried through by the social democrats, agrarian liberals and the conservatives. This was often a politically difficult exercise for the Social Democratic Party due to the minority sceptical or even opposed to Danish NATO-membership. The establishment of the Socialist People's Party would exacerbate this problem during the 1960s.

Denmark's reactions to the various Continental initiatives of European integration from 1950 onwards were deeply influenced by the neutralist streak in Danish politics. Both in the Social Democratic Party and the Social Liberal Party great hesitance existed about forming closer ties with Continental Europe that was considered politically rightwing and with democracies prone to collapse. After the application for membership of the EC in 1961, the opposition to Danish EC-membership was found in the two parties in government, the Social Democratic Party and the Social Liberal Party. The Socialist People's Party would try to exploit this during the first Danish membership negotiations from 1961-1963.

Denmark's foreign economic development 1950 to 1973

As one of the smaller European countries, with few natural resources, Denmark had depended extensively on foreign trade to build a rich and economically high-developed society by the mid twentieth century. Traditionally, the highly specialised agricultural sector that exported mainly to the British and the German markets had played the key role. By 1950, agricultural exports still constituted 70 per cent of total Danish exports. The industrial sector was on the contrary reliant on a home market, shielded since the world crisis of the 1930s by a comprehensive system of import quotas. With full employment, increased wealth and a comprehensive welfare state at the top of the political agenda in the post-war era, Danish policy makers were faced by the fundamental challenge of modernising the Danish economy. In the post war world, agricultural exports alone would not suffice to secure high economic growth, to do that industrial modernisation and expansion was needed. Denmark's active participation in the expansion of European trade and payments during the 1950s and 1960s would become a central means to reach this end. However, the road to industrialisation proved a difficult one. Although Danish participation in Western European trade organisations would prove fundamental, the latter were not always conducive to Danish needs.

The 1950s was a difficult decade for the Danish economy. Danish economic development was shaken by two external shocks at the beginning of the decade. The devaluation of the British pound, followed by that of the Danish krone, combined with the effects of the Korea war on the prices of raw materials to seriously weaken the Danish terms of trade. The OEEC

programme of liberalisation launched in 1949 would further aggravate the crisis by discriminating against Denmark in two ways. Firstly, the programme did not address the growing problem with protectionism in agricultural trade. To one of Europe's largest agricultural exporters, having to liberalise foreign industrial imports without receiving concessions in agricultural trade represented a serious lack of reciprocity. Secondly, the focus of the OEEC programme on quantitative restrictions resulted in a much more comprehensive opening of the Danish home market, given the very low Danish tariffs, than it did to the majority of OEEC member states that in general had much higher tariffs to supplement quantitative restrictions.

The deterioration of the terms of trade and the difficulties Denmark met as a result of the unbalanced liberalisation in the OEEC caused repeated Danish balance-of-payments problems during the 1950s. The international capital markets were still working so inefficiently that it was hazardous to base economic expansion on foreign loans. Danish governments had little choice but to adopt a stop-go policy - a policy balancing between, on the one hand, the wish for economic expansion and industrial modernisation and, on the other hand, the need to avoid deficits on the balance-of-payments. Brakes on the economy were applied repeatedly throughout the period and although they improved the balance-of-payments, they also slowed down economic growth.²⁰ Nevertheless, Danish governments neglected important reforms that could have supported the modernisation of Danish industry. Most importantly a reform of the antiquated Danish tariff system could have given Danish industry room to breath, while quantitative restrictions were removed under the OEEC programme of liberalisation. However, the agricultural interest organisations, supported by a majority in parliament, opposed a reform that would increase tariffs, because it was believed that this would endanger the chances that might exist for liberalisation of agricultural trade internationally.²¹

Clearly, the persistent balance-of-payments problems and the resultant stop-go policy were not conducive to the needs of Danish industry. The occasional tight credit policy, for example, used by several governments to limit the balance-of-payments deficit led to high interest rates with negative effects on industrial investment. But perhaps most importantly, the tight economic policy of the 1950s meant that domestic consumption grew relatively slower than in most other Western European countries. The result was that industrial production only grew by a dismal 15 per cent from 1950-1957 during a period when the industrial production of most Western European states

²⁰ Hans C. Johansen, *The Danish Economy in the Twentieth Century*, (London 1987), pp. 104ff.

²¹ Paul Gersman, Alf Therkildsen and O. Tobiesen Meyer, *Dansk toldhistorie V - Fra importregulering til moms 1945-1986*, (København 1987), pp. 56ff.

grew by 50 per cent. Nevertheless, in spite of the negative impact of Danish economic policy and the slow growth of the domestic economy, Danish industry participated in and benefited from the general export boom experienced in Western Europe. Despite the numerous problems connected to the OEEC liberalisation programme, Danish industry took advantage of the gradual liberalisation that the removal of quantitative import restrictions of other countries did imply. As a result, Danish industrial exports almost tripled when measured in value from 1950 to 1958. The highest rate of growth was experienced by industrial exports to Germany and Continental Europe. In total, the combined effect of the participation in the great expansion of Western European trade combined with the negative effects of liberalisation of the home market increased productivity in the industrial sector by 25 per cent from 1950 to 1958. The price was that the companies which since 1932 had done little to modernise their real capital found it difficult to survive. In a historical perspective, however, there is little doubt that the OEEC experience contributed positively to the modernising of Danish industry, despite the lack of reciprocity of the liberalisation programme.²²

During the first decade after the Second World War, Danish agriculture had been highly prosperous due to the general decline in Western European food production caused by the war. However, after 1945 most Western European governments had done their utmost to satisfy domestic farming communities by protecting and subsidising domestic food production. By the mid 1950s, most countries had expanded their agricultural production to a degree where excess supply replaced former scarcity. As mentioned above, the liberalisation programme of the OEEC did little to alleviate the situation. As a result, Danish agricultural exports stagnated or even declined in most Western European markets, with Germany as the only significant exception. But even progress on the Germany market could not account for losses elsewhere. For a country that exported around 60 per cent of total agricultural production, any depreciation of international market prices had serious consequences. Adding injury to harm for Danish farmers and small holders, domestic prices and export prices were linked causing a general decline in prices for most of the agricultural production. Furthermore, the agricultural sector had to cope with rising production costs caused by the ongoing mechanisation and rising salaries that further undermined income. The overall result was a serious economic crisis that would only deepen in the 1960s.²³

²² Hans C. Johansen, “*The Danish Economy in the Twentieth Century....*”, op. cit., p. 114f.f.

²³ Hans C. Johansen, “*The Danish Economy in the Twentieth Century....*”, op. cit., p. 109ff. and Buksti, Jacob, *Et enigt landbrug? Konflikt og samarbejde mellem landbrugets organisationer: En studie i landbrugets organisationsforhold med udgangspunkt i perioden 1957-61*, (Århus 1974), p. 297.

In 1959, the external conditions for the Danish economy finally improved. On 1 January 1959, convertibility was established between the Western European currencies and the US dollar for trade purposes and to some extent capital movements. The opening of the international capital market removed the brake on Danish economic growth. This finally allowed continuous expansion of the domestic economy and promotion of high investment rates. This opportunity was well nurtured by a number of economic reforms introduced in 1959 and 1960. The election of May 1957 had produced a majority government led by the Social Democratic Party that included two of the traditional opponents of tariff reform, the Social Liberal Party and the Justice Party. This meant that it was finally possible to introduce a coherent industrial policy that supported modernisation. Thus, in 1959, depreciation rules in the income tax system were changed to encourage investment, and in 1960, a tariff reform was introduced that offered Danish industry better protection. The results were high overall economic growth; rapid growth of industrial production and export, tremendous increases in real wages and low unemployment.²⁴

Despite the high economic growth, during what would become known in Denmark as “the happy sixties”, Denmark’s fundamental problems in achieving a balanced economic development were not solved. The period from 1957 to 1974 witnessed the construction of the Danish welfare state, initiated with the universalistic old age pension reform and completed, for the time being, with the adoption of a comprehensive law on social assistance (*bistandsloven*). The financial costs of the welfare state led to significant increases in income taxes and thus swallowed investments from the industrial sector. Likewise, the expansion of public activity increased labour shortage in an already heated economy and thus contributed to cost-push inflation. Finally, the lack of control over increases in real wages resulted in soaring private consumption, which again contributed to inflation. Together, these interlinked developments undermined the competitiveness of Danish industry while at the same time contributing to rising imports for consumption. From 1967 onwards, increased foreign debt and persistent deficits on the balance-of-payments led to speculation directed against the Danish currency in international capital markets. Once again, Danish economic policy, like in the 1950s, had to concentrate on the balance-of-payments deficit and the defence of the Danish currency, rather than support the creation of employment. This failure was closely connected to the negative consequences that the emergence of a market split in Western Europe, with the foundation of the EC and EFTA, had on Danish export. But it also reflected the

²⁴ Hans C. Johansen, “*The Danish Economy in the Twentieth Century....*”, *op. cit.*, p. 131 and Paul Gersman, Alf Therkildsen and O. Tobiesen Meyer, “*Dansk toldhistorie V...*”, *op.cit.*, p. 63ff.

negligence of the Danish political system in carrying out the structural reforms necessary for a more balanced and sustainable economic development.²⁵

The Western European market split placed Denmark in a most difficult position. To both Danish agriculture and industry, Continental Europe, in particular Germany, had been the most dynamic market of the 1950s, and this market would now become separated from the, in terms of size, more important British and Nordic market. Reluctantly, Denmark chose membership of EFTA, which did safeguard the exports to Britain and Norden, but also resulted in a dramatic weakening of exports to the EC.

The consequences were felt less by Danish industry which experienced a period of exceptional high growth rates. The rapid expansion of domestic demand now contributed to the growth in industrial production. The liberalisation of trade in EFTA, furthermore, offered Danish industry a substantial expansion of exports in particular to the dynamic Swedish market. The opportunities in EFTA were sufficient for Danish industry to maintain the high growth rates in exports that had been experienced in the 1950s. International and domestic demand resulted in an astonishing 155 per cent growth of Danish industrial production from 1958 to 1972. Under these circumstances it was hardly felt that at least 18 percent of total Danish industrial export, as shown by a Foreign Ministry calculation in 1967, experienced opportunity costs because of the establishment of the EC Customs Union.²⁶ The most striking result of the market split was how they changed the composition of Danish export markets. Thus, the Continental and German market lost significantly in overall importance during the 1960s.

To Danish agriculture the consequences of the market split was nothing less than catastrophic. The gradual establishment of the Common Agricultural Policy (CAP) by the EC from 1962 onwards had a very negative impact on important Danish export articles. The export of poultry and eggs collapsed from 1962 onwards, while the export of cheese and live cattle began to feel the impact from 1965-1966 onwards.²⁷ With a stagnating outlet to the other EFTA members, the crisis of Danish agriculture deepened during the 1960s. In response to the crisis of the agricultural sector, the Danish state began in 1961 to subsidise production extensively. By 1968-69, a third of total agricultural income came from state subsidies. However, despite state subsidies and increasing

²⁵ Henrik Christoffersen, *Dansk Velfærdspolitik efter 1945*, (København 1984), Hans C. Johansen, “*The Danish Economy in the Twentieth Century...*”, op. cit. and Richard Mikkelsen, *Dansk pengehistorie 4 - 1960-1990*, (København 1993).

²⁶ “*Danmark og De europæiske Fællesskaber*, Bind 1-2....., op.cit., p. 95ff.

²⁷ For a detailed analysis Morten Rasmussen, *Joining the European Communities – Denmark’s Road to EC-membership, 1961-1973*, unpublished dissertation, European University Institute, 2004, p. 67ff.

modernisation, the rate of return on invested capital rate was nil or negative in most years. In such circumstances, only rising land prices, caused by the inflation, could finance investment. The result was that many farmers by 1972 had very large encumbrances and were extremely vulnerable if Denmark did not join the EC and the price increases expected from membership did not come.²⁸

There is little doubt that the market split contributed substantially to the continued balance-of-payment problems during the 1960s and as such had a negative impact on Denmark's economic development in the period. Nevertheless, most economists agree that it was the poor economic policy conducted by parliament during the 1960s that has to bear the brunt of responsibility for the continuing balance-of-payment problems.²⁹ While Danish politicians in the late 1950s considered the balance of payments deficit a transitional problem, it quickly became apparent in the beginning of the 1960s that this was not the case. Despite the awareness by politicians of the seriousness of the problem, Danish governments were unable to solve it during the 1960s and the beginning of the 1970s. Although a successful incomes policy to curb the rapid growth of public and private consumption intervention had been launched by the centre left government in 1963, parliamentary politics blocked any further interventions in the 1960s. Thus, a dramatic devaluation in 1967 ended in a failure to adopt delegated legislation. And it was only in October 1971, when a social democratic government in contradiction with international trade rules introduced a surcharge on imports that a temporary improvement in the balance of payments deficit could be felt.³⁰

To Danish governments Danish EC-membership must have been attractive, because it would offer an improvement of the balance of payments that would make the necessary economic reforms less politically dangerous and less socially painful. In fact, the Danish Prime Minister, Jens Otto Krag, who introduced the controversial import surcharge, believed that it was indeed a temporary measure the effect of which would last until Danish membership of the EC had been secured. Then his government could on basis of an improved economic situation confront the structural problems of the Danish economy.³¹

²⁸ Hans C. Johansen, *"The Danish Economy in the Twentieth Century..."*, op. cit. 132ff.

²⁹ See for example the report from the independent economists of the Economic Council: Det Økonomiske Råd, Formandskabet, *Markedsperspektiver og strukturproblemer*, (København 1971).

³⁰ See Bo Lidegaard, *Jens Otto Krag II*, (København 2002) for an analysis of the role of Jens Otto Krag and the Social Democratic Party in the different economic reforms and attempts of reforms.

³¹ Thorsten Borring Olesen and Poul Villaume, "I blokodelingens tegn....", p. 458f.

Three cases from Danish European policy, 1950-1973

Denmark's choice between the EC and EFTA

Denmark's European policy from 1957 to 1960 was as complex as the European situation. The Treaties of Rome were ratified in 1957 and the new European Community began functioning on 1 January 1958. Two years later after the failure of a British proposal for a wide Western European free trade area, EFTA was founded and the market split became a reality. At the same time, the Nordic countries finally abandoned their plans for a Nordic customs union, which they had negotiated throughout the 1950s, in favour of EFTA. Denmark's commercial interests were split between the two trading blocks and as a result the Danish government only reluctantly chose sides. While EC-membership was rejected in 1957, the failure of the preferred option, the wide free trade area, forced Denmark into EFTA. What lay behind the rejection of membership of the EC, that after all planned to create a common market for agricultural products and received a rapidly increasing part of Danish industrial exports? And why was EFTA membership eventually chosen? These are the central questions to be answered below.

Danish agriculture was the first to respond and take a clear position confronted with the negotiations between the Six on the establishment of a European Community. When the Six, in January 1957, had agreed on the agricultural chapter in what would become the Treaties of Rome, the Agricultural Council, the Federated Farmer's Associations and the Federation of Rural Cooperatives and Producers Associations publicly demanded that Denmark joined the negotiations to secure that Danish interests were taken into account. Although the European situation was extremely fluid, these organisations felt it was of paramount importance to defend the Continental, and in particular the German, market for Danish agricultural exports. A market that not only had become more important vis-à-vis the British food market during the 1950s but also expanded at a much higher rate.³²

The Agrarian Liberal Party and the Conservative Party were quick to follow up on the public criticism of the social democratic minority government, and claimed in parliament that the government had done too little to defend Danish interests. Traditionally, Denmark had been oriented towards Britain and the Nordic countries on European issues, and the social democratic government had continued this policy by seeking to create a Nordic customs union in the latter half

³² Johnny Laursen, *Mellem fællesmarkedet og frihandelszonen. Dansk markedspolitik 1956-1958*, in Birgit N. Thomsen (ed.), *The Odd Man Out? Danmark og den europæiske integration 1948-1992*, (Odense 1993), p. 69f.; Gunnar P. Nielsson, "Denmark and European Integration...", op. cit, p. 345f. and Anita Lehman, *Venstres vej til Europa – Venstres europapolitik 1945-1960*, *Den Jyske Historiker*, no. 93, 2001, p. 62ff.

of the 1950s. To the social democrats the Nordic ambition was deeply felt in terms of culture and identity, but Nordic cooperation also promised to strengthen social democracy in Denmark given the fact that the both Norwegian and Swedish sister parties held majorities in their respective parliament. Confronted with the new criticism, the government maintained the fundamental strategy of completing the Nordic negotiations, but added that a Nordic customs union would become a natural part of the wide free trade area and that the possibilities of achieving a bilateral agreement on agricultural trade with the Six would be examined. Backed by the pro-Nordic Social Liberal Party, the parliamentary basis of the government was not seriously threatened. However, when Minister of Trade, Jens Otto Krag, came back from talks with the intermediary committee of the Six with a promise of membership but no offer of association, the European question turned into a serious liability for the government only a few months before the general election of May 1957. Adding to the failure was the British government's refusal to consider the inclusion of agriculture in the plans for the wider free trade area. This was exploited by the agrarian liberals and the conservatives in the election campaign even though none of the two parties dared recommend immediate Danish membership of the EC.³³

Despite electoral defeat, the social democratic Prime Minister, H. C. Hansen, quickly managed to create a new majority government with the Social Liberal Party and the Justice Party. Besides, having successfully strengthened his position in parliament, Prime Minister Hansen had also created a pro-Nordic government that by virtue of its majority could continue the former government's European policy.³⁴ At the same time the pressure from the right on the European questions lessened considerably, when two of the giants in the Danish political landscape the trade union movement and the Industrial Council came out in opposition Danish EC-membership in the short term. While the Industrial Council opposed Danish EC-membership, citing the danger posed by German industry to the survival of a large part of Danish industry, the industrial sector was in fact split. A majority composed by industries exporting mainly to the Nordic market and the uncompetitive home market industry that preferred a gradual liberalisation in a Nordic framework rather than a wide European liberalisation, supported the Nordic strategy of the government. A minority of industries that had successfully exported to Continental Europe and Germany all through the 1950s supported Danish accession to the EC. The trade union movement not only

³³ Tage Kaarsted, *De danske ministerier 1953-1972*, (København 1992), p. 94, Johnny Laursen, Det danske tilfælde. En studie i dansk Europapolitik's begrebsdannelse, 1956-57, in Johnny Laursen and others (eds.), *I tradition og kaos. Festskrift til Henning Poulsen*, (Århus 2000), p. 244ff. and Anita Lehman, "Venstres Europapolitik...", op.cit., p. 66f.

³⁴ Gunnar P. Nielsson, "Denmark and European Integration...", op. cit, p. 391ff. and Johnny Laursen, "Det danske tilfælde. En studie i dansk Europapolitik's begrebsdannelse...", op.cit., p. 249f.

shared the view with part of the industrial sector that the EC would signify a loss in employment, but also feared a harmonisation of social and labour market standards to the detriment of Danish workers. Furthermore, the trade unions were concerned about the wider political consequences of Danish EC-membership. What consequences would membership of a conservative, catholic Community dominated by Germany have to Danish democracy and social equality?³⁵ Finally, the Federated Small Holders' Organisation opposed EC-membership fearing that their substantial export of bacon and butter to the British market would be endangered. As a result of the clear positioning of the main interests organisations the alliance between the Agrarian Liberal Party and the Conservative Party broke down, as the conservatives had come under intense pressure from the Industrial Council to end their support to Danish EC-membership.

With the foundation of the EC on 1 January 1958, the free trade negotiations proposed by Britain could finally proceed. Although the British government under pressure from the EC and Denmark finally conceded and included agricultural trade in the free trade negotiations, it was too little too late. When France after a prolonged political crisis, finally got a new strong leadership under Charles de Gaulle, the free trade negotiations were broken off.³⁶ The European market split now appeared inevitable. The Danish government made a final desperate attempt to establish a European dialogue by trying to invoke the old Oslo Convention of the 1930s in the form of consultations between the Scandinavian countries and the Benelux countries. However, confronted with opposition not only as could be expected from France, but also from Norway and Sweden, the initiative failed completely. The Norwegian and Swedish governments were by then deeply involved in plans for the creation of an outer Free Trade Area, the so-called European Free Trade Association (EFTA), to meet the challenge posed by the EC.

The Danish government initially opposed these plans which not only would terminate the negotiations on a Nordic customs union, but also could lead to a trade war with the EC. However, confronted with isolation as the only alternative, Denmark in the end opted for EFTA-membership after having obtained a number of concessions in agricultural trade from the other founding members. Combined with a bilateral trade agreement with Germany, negotiated in 1958,

³⁵ Emmet Caraker og Adam Johansen, *Tilslutning og modstand til EF i perioden 1957-1993 - særligt med henblik på Dansk Industris og modstanderbevægelsernes kampagner op til folkeafstemningerne i 1992 og 1993*, unpublished masterthesis, University of Copenhagen and University of Roskilde, 1995, p. 60ff. and Johnny Laursen, "Det danske tilfælde. En studie i dansk Europapolitikens begrebsdannelse...", *op.cit.*, p. 259ff.

³⁶ Alan S. Milward, *The Rise and Fall of a National Strategy 1945-1963, The UK and The European Community Vol. 1*, (London 2002), p. 276ff.

this meant that the *status quo* had been secured for Danish agricultural exports in the short term.³⁷ Negotiations on EFTA were very much a government driven affair in which the interest organisations and parliament gained little insight before the final treaty was presented. This reflected that a simple majority in parliament would be sufficient for the government to secure Danish accession to EFTA, because no sovereignty was surrendered. Eventually, a broad majority in parliament supported Danish membership of EFTA, including the Conservative Party, as well as a majority of societal interests ranging from the trade union movement, over the Industrial Council to the Federated Small Holders' Organisation. Considering the Danish commercial interests in a broad Western European solution to the market split, it is not surprising that Denmark became a restless member of EFTA.³⁸

NORDEK

Since 1961, accession to the EC at the same time as Britain was the fundamental objective of Danish European policy. However, in 1968 in the most unlikely of scenarios, a centre right majority government constituted by the social liberals, agrarian liberals and conservatives launched a proposal for a Nordic Common Market with similar institutions and powers as the Continental counterpart. Nordic negotiations based on the proposal followed in 1968, 1969 and the early months of 1970 and finally resulted in a treaty establishing a Nordic Common Market, the so-called NORDEK. However, the European development once again undermined Nordic cooperation. In April 1969, Charles de Gaulle surprisingly left office after a defeat in a referendum on regional policy and under the new French President George Pompidou, France moved towards accepting the enlargement of the EC. At the Summit of The Hague in December 1969, the EC in principle endorsed enlargement and thus finally opened the door for applicants. With Norway and Denmark seriously interested in EC-membership, the Finnish government decided not to sign and ratify the NORDEK treaty not to endanger Finland's relationship with the Soviet Union.

The first puzzle to be solved is why the centre-right government embarked on a Nordic adventure? The answer to this question is a complex one. Originally the proposal had been developed as the social democratic government's response to the expected failure of the second

³⁷ Johnny Laursen and Mikael af Malmberg, *The Creation of EFTA*, in Thorsten Borring Olesen (ed.), *Interdependence Versus Integration - Denmark, Scandinavia and Western Europe*, (Odense 1995), p. 204ff.; Bo Lidgaard, "Jens Otto Krag I...", op.cit., p. 620ff. and N. V. Skak-Nielsen, *EFTA's dannelse og dansk Europapolitik 1959-1963*, in Birgit N. Thomsen (ed.), *The Odd Man Out Denmark og den europæiske integration 1948-1992*, (Odense 1993), p. 90ff.

³⁸ Anita Dethlefsen, "På vej mod EF: Landbruget og de europæiske markedsplaner 1957-72...", op.cit., p. 35ff.; Emmet Caraker og Adam Johansen, "Tilslutning og modstand til EF i perioden 1957-1993...", op.cit.; N. V. Skak-Nielsen, "EFTA's dannelse og dansk Europapolitik 1959-1963...", op.cit.

Danish (and British) application for EC-membership in 1967. To the Social Democratic Party, a Nordic proposal would unite the left of parliament and the trade union movement behind government policy. At the same time, it would split the political alliance between the three bourgeois parties. While the Social Liberal Party would support plans for closer Nordic cooperation, the Conservative Party and the Agrarian Liberal Party would most likely oppose them. Beyond the realms of parliamentary politics, a Nordic Common Market could work as an international framework for further industrial modernisation. This rested on two assumptions, namely that enlargement of the EC would happen at the earliest in the mid 1970s and that Danish agricultural production before then would have to be scaled back. The project was developed by the Market Secretariat of the Foreign Ministry in secret and thus the major interest organisations were not consulted.³⁹ Eventually, the social democratic government presented the proposal as part of the electoral campaign in early January 1968, but it never received much attention.

After the election on 23 January a centre right government took office. It was headed by social liberal Prime Minister Hilmar Baunsgaard with agrarian liberals, Poul Hartling and Poul Nyboe Andersen, as respectively Minister of Foreign Affairs and Minister of Economy and European Market Relations. Taking into the consideration, the different attitudes to Nordic cooperation within the government, it might be expected that the NORDEK plan was dead and gone. But surprisingly, Baunsgaard made the plan his own, and launched it at the Nordic Council meeting in Helsinki on 16 February 1968. The decision to proceed with the NORDEK plan was taken on the airplane on the way to Helsinki by Baunsgaard, Hartling and Nyboe Andersen. The decision was apparently taken spontaneously without consulting the rest of the government or for that sake the parliamentary groups of the three parties. There is little doubt that the strong pro-Nordic feelings of the three politicians were a decisive factor, but in favour also spoke the fact that the Embassy in Stockholm had noted rumours about a forthcoming Swedish proposal on Nordic cooperation and the parliamentary advantages the government might gain in taking the initiative from the social democrats.⁴⁰ The decision has left no traces in the minutes of the Conservative Party and the Agrarian Liberal Party. In both parties, the negotiations on NORDEK were probably

³⁹ For a critique of the plan see Morten Rasmussen, NORDEK – hazard med dansk europapolitik? in Kristine Midtgaard, *Festskrift til Thorsten Barring Olesen*, (Syddansk Universitetsforlag: Odense, 2006).

⁴⁰ Jens Christensen, Danmark, Norden og EF 1963-1972, in Birgit N. Thomsen (ed.), *The Odd Man Out? Danmark og den europæiske integration 1948-1992*, (Odense 1993), p. 139; Poul Nyboe Andersen, *Det umuliges kunst. Erindringer fra dansk politik 1968-77*, (Odense 1989), p. 25ff. and Ministry of Foreign Affairs Archive.(MFAA)73.C.100.a.26-1., Brev fra ambassaden i Stockholm til udenrigsministeriet, 10. februar 1968, nr. 132, "Svenske forslag til Nordisk Råd vedrørende samarbejdet mellem Norden og Europa." og MFAA.73.C.100.a.26-1., Telegram fra ambassaden i Stockholm til udenrigsministeriet, 13. februar 1968. "Rammefortroligt. Svensk forslag til Nordisk Raad om samarbejde mellem Norden og Europa."

considered a price that had to be paid to the Prime Minister and his party to maintain a stable and dynamic government.

The reactions of societal interests to the NORDEK plan were mixed. The National Organisation joined forces with the other Nordic trade union movements and recommended NORDEK. A Nordic Common Market should promote a social democratic agenda and was considered a perfect organisation with which to defend the Nordic welfare model internationally.⁴¹ The members of the Industrial Council was split with regard to the benefits of NORDEK, several branches with important economic interests in the Nordic market wanted the Council to support the project. The Industrial Council nevertheless decided to oppose NORDEK. The argumentation used publicly to avoid alienate the electorate, who even among right wing voters supported NORDEK, focused on economics. Thus, the possible economic benefits from a Nordic Customs Union, it was claimed, could not outweigh the higher costs of raw materials caused by a common external tariff. In reality the Industrial Council's opposition to NORDEK was mainly political. NORDEK not only represented a serious obstacle to future Danish EC-membership, but the social democratic dominance in NORDEK would be nothing less than a threat to Denmark as a capitalist society.⁴² All agricultural interest organisations, including the Federated Small Holders' Organisation opposed NORDEK. Minor trade concessions by Denmark's Nordic neighbours would not according to the Agricultural Council help Danish agriculture survive.⁴³

Given the impulsive decision to launch NORDEK and the widespread opposition from the interest organisations that traditionally held close links with the three parties in government, one might expect that Denmark would break off negotiations when given a chance. When given the chance in July 1969, when the NORDEK negotiations were about to break down, Baunsgaard refused to give up.⁴⁴ The answer is found in the dynamics of parliamentary politics. Baunsgaard had a united Social Liberal Party behind him that finally saw the Nordic dream coming true. For this reason, it would be almost impossible for the Prime Minister to break off the negotiations. At the same time, the social democratic leadership exploited the divisions in the government mercilessly and continued to accuse Baunsgaard for not negotiating in earnest. Although the Agrarian Liberal Party, and to some degree the Conservative Party, became increasingly worried about the

⁴¹ Jens Engberg, *I minefeltet. Træk af Arbejderbevægelsens historie siden 1936*, (Viborg 1986), p. 92ff.

⁴² Lasse Sonne, *Nordismens Débâcle? Analyse af sammenbruddet i NORDEK-forhandlingerne 1970 med særlig henblik på landenes politiske og økonomiske interesser samt Finlands rolle*, unpublished master thesis, Department of History, University of Copenhagen, 1998, p. 40ff.

⁴³ Anita Dethlefsen *På vej mod EF. Landbruget og de europæiske markedsplaner 1957-72*, (Odense 1988), p. 84.

⁴⁴ Hilmar Baunsgaard's Archive. (HBA).39, Ministermødereferater 1968-1969, "Ministermøde fredag den 11. juli 1969 kl. 13.30 i statsministeriet." og Jens Christensen, "Danmark, Norden..." , op.cit.,p. 141.

consequences of the NORDEK negotiations after Charles de Gaulle had left office in France, the two parties would gain little by going against NORDEK. It was most unlikely, as mentioned above, that Baunsgaard could give up the project. Moreover there existed a solid majority in parliament behind NORDEK in any case and the two parties might risk alienating the two parties essential to achieve the 5/6 majority necessary to secure Danish EC-membership. Finally, the government would most likely break down if the two parties insisted on the abandoning of NORDEK. However, the sceptical attitude of the two parties was accommodated to some extent in the position of the government in the final phase of the negotiations. Here it was made sure that NORDEK would not formally stand in the way for Danish accession to the EC. Although important, the real dangers to Danish EC-membership were domestic, namely the difficulties the social democratic and social liberal leaderships would have in bringing their parties behind Danish accession to the EC, if Denmark was already member of a Nordic Common Market. It was no wonder that many conservatives and agrarian liberals received the Finnish rejection of the NORDEK treaty with great relief.⁴⁵

Denmark's Long Road to EC-membership

Denmark's road to membership of the EC was a long and difficult one. The first Danish application was submitted in August 1961 only a few weeks after the first British application. After the failure of the first enlargement negotiations with Charles de Gaulle's veto against British EC-membership in January 1963, Denmark chose to stay in EFTA. While the necessary 5/6 majority in parliament and all the main interest organisations backed Danish membership along with Britain, there existed no majority for an isolated bid for membership. As a consequence Denmark would have to wait for France to lift her veto against British EC-membership. When in 1967 the British labour government under Wilson wanted to test the French veto, Denmark also presented a new application of membership. With the pronouncement of the second French veto by de Gaulle in December 1967, both countries would have to wait until 1969, when France finally under George Pompidou opened the door for enlargement at the Summit of The Hague. The enlargement negotiations began in June 1970, ended in January 1972, and after a referendum in October 1972, Denmark could finally enter the EC on 1 January 1973 along with Britain and Ireland. This case study will explain why Denmark applied for membership in 1961 and explore how Denmark finally after more than a decade in the waiting room became member of the EC.

⁴⁵ The Conservative Party Archive. B1.20, Folketingsgruppens møde, tirsdag den 5. februar 1970 og The Archive of the Agrarian Liberal Party. Venstres Folketingsgruppes forhandlingsprotokoller, efteråret 1969 og foråret 1970.

Although Denmark's participation in EFTA, in combination with the bilateral commercial agreement on agricultural export with Germany, had solved Danish problems in the short term, the market split posed a serious danger to Danish exports in the long run. With the establishment of the CAP, it was by no means certain that the important agricultural export to Germany could be maintained and it could be predicted that industrial exports to Continental Europe would experience opportunity costs. Jens Otto Krag, who now had become Minister of Foreign Affairs, understood these perspectives and from 1959 onwards was inclined to see a broad enlargement of the EC that included Denmark, Britain and perhaps Norway as the ultimate solution to the Danish predicament. He was conscious that in order to finance the welfare state, the continued expansion of Danish industrial and agricultural exports were essential, but he also felt that the EC provided a much better institutional framework for economic modernisation than EFTA. Confronted with a trade union movement and an important minority of his party that for political reasons were more than hesitant with regard to the EC, it was by no means easy for Krag to turn the labour movement around to an acceptance of this perspective. Thus, Krag knew well as he explained to Charles de Gaulle at a meeting in spring 1961 that Danish EC-membership would only be acceptable to the necessary 5/6 majority in parliament in the case of British accession because only then was the economic argument for accession clear-cut.⁴⁶

When the British government finally began considering an application of EC-membership in spring 1961, Jens Otto Krag made sure that Denmark was not left behind. Without consulting the major interest organisations, the government made the decision to apply for EC-membership if and when the British government did the same. When this policy change became known it caused some resentment among trade union leaders, who felt they had been misinformed. Despite this the leadership of the National Organisation supported the application for economic reasons. However, a significant minority in the trade union movement headed by the chairman of the National Union of Smiths and Machinists, Hans Rasmussen, opposed government policy.⁴⁷ The other interest organisations were united behind the Danish EC-application. The Industrial Council became an outspoken supporter of Danish EC-membership. The industrial sector had experienced extraordinary high rates of growth since 1958 and the prospect of securing free industrial trade for both the Nordic and Continental markets as part of the EC enlargement was seen as a welcome challenge. Danish agriculture could likewise agree on a common agricultural market that included

⁴⁶ Johnny Laursen, "Det danske tilfælde...", op.cit., and Bo Lidegaard, "*Jens Otto Krag I...*", p. 688ff.

⁴⁷ Gunnar P. Nielsson, "*Denmark and European Integration...*", op. cit, p. 531ff.

both the Continent and Britain.⁴⁸ The broad backing by societal interests was reflected in parliament where on 3 August 1961 more than 5/6 of the members supported the application for EC-membership. Only the Socialist People's Party opposed membership of a Community that it considered capitalist and a German scheme to dominate Europe. Nevertheless, both the Social Democratic Party and the Social Liberal Party harboured numerous sceptics for whom Danish accession to the EC represented a real threat towards Danish democracy, culture and the welfare model. What after all secured the necessary majority in favour of Danish EC-membership were a mixture of party discipline and the irrefutable commercial and economic case for accession.

Denmark's negotiations on membership from 1961 to 1963 were relatively unproblematic and although they were never concluded, as a result of de Gaulle's veto, they would hardly have failed in case Britain had joined the EC.⁴⁹ Domestically, the government also succeeded in silencing the opposition within own ranks. Prime Minister Viggo Kampmann and Krag backed by the leadership of the National Organisation made quite clear to the sceptical trade union leaders that Danish EC-membership was closely linked to Danish participation in NATO and accused them of doing the dirty job of the communists.⁵⁰ However, with the French veto against British EC-membership, Krag, who had become Prime Minister in September 1962, reluctantly had to give up the ambition of Danish accession to the EC.

Despite the set back caused by the French veto, it was clear that the configuration of societal interests, as well as the position of the main political parties, had crystallised and would stay in place for the remainder of the 1960s. As a consequence, it was entirely predictable that the social democratic minority government in 1967 followed the British government's initiative and submitted a second application of EC-membership.⁵¹ Likewise, when the position of the EC finally changed at the Summit of The Hague in December 1969, the Danish centre right government immediately began preparing Danish membership negotiations, despite being also involved in negotiations on NORDEK.⁵²

⁴⁸ Emmett Caraker and Adam Johansen, *Tilslutning og modstand til EF i perioden 1957-1993...*, op.cit., p. 66ff. and Anita Dethlefsen, *På vej mod EF: Landbruget og de europæiske markedsplaner 1957-72...*, op.cit., p. 68ff.

⁴⁹ See Morten Rasmussen, *Joining the European Communities...*, op.cit., p. 113ff. for a comprehensive and detailed analysis of the Danish membership negotiations.

⁵⁰ Bo Lidegaard, *Jens Otto Krag II...*, op.cit., p. 20ff. and Jens Engberg, *I minefeltet...*, op.cit., p. 74. Discussion with Johnny Laursen in November 2003.

⁵¹ For an analysis of that episode see Johnny Laursen, Denmark, Scandinavia and the Second Attempt to Enlarge the EEC 1966-67, in Wilfried Loth (ed.), *Crises and Compromises: The European Project 1963-1969*, (Brussels 2001).

⁵² MFAA.108.A.1.13, "Notat. Danmarks forhandlinger om optagelse i fællesmarkedet." and HBA.40.Ministtermødereferater 1969-1971, "Ministtermøde tirsdag den 6. januar 1970 kl. 9.00 på Marienborg."

The preparations of the Danish negotiating position during spring 1970 were coordinated by the Ministry of Foreign Affairs. The main interest groups were consulted, but their actual influence was limited. The Industrial Council did not appreciate the tactical position developed by the Market Secretariat of the Ministry of Foreign Affairs.⁵³ The tactical approach was designed to gain the full participation in the CAP at the earliest possible moment and recommended that Denmark should introduce as few demands as possible.⁵⁴ Only on a single issue, however, did the Industrial Council get the final word, namely when the government overruled the recommendation of the Ministry of Foreign Affairs and decided to request tariff quotas on a selected range of imports in case other applicants did the same. During the membership negotiations, the Market Secretariat held the interest organisations at arms length, a fact the Danish Association of Fishery and the agricultural organisations complained about.⁵⁵ Instead the negotiations were run by a small circle of leading ministers and the Market Secretariat.

The final result of the Danish membership negotiations were both from an economic and political point of view successful. Danish agriculture would benefit from the CAP almost from first day of accession, Danish industry would have several years to adapt to the Common Market and potentially sensitive issues such as the adaptation of the Danish welfare to the common labour market and the right to establishment in agriculture were solved discreetly. This was reflected in the domestic debate, where the opposition to Danish EC-membership preferred to attack the wider consequences of membership rather than the particulars of the negotiating result. Like in the beginning of the 1960s, it was in the centre left that opposition to Danish EC-membership was strongest and the main arguments were quite similar. However, for a number of reasons the EC-opposition was much more difficult to control this time. In the Social Democratic Party the EC-opponents were typically young, antiauthoritarian members steeped in the youth culture of 1968. After several electoral defeats in a row the social democratic parliamentary group was in dire need of a generational change and the leadership had to be careful not to push the young members into the arms of the Socialist Peoples Party. There was not doubt that Danish EC-membership had the potential to seriously split the party and completely wreck the desired generational change.⁵⁶ With

⁵³ The Industrial Council Archive (ICA).Bestyrelsesmøder i Industriforeningen og Industrirådet, "Møde i Industriforeningens og Industrirådets bestyrelse. Referat nr. 3/1970. 10. marts 1970."; MFAA.108.DAN.A.1, "Referat af møde i udenrigsministeriet den 12. marts 1970 kl. 9.00."

⁵⁴ MFAA.108.A.1.13, "Notat. Danmarks forhandlinger om optagelse i fællesmarkedet."

⁵⁵ MFAA.108.Dan.N, Letter from the Association of Danish fishery to Poul Nyboe Andersen, 8 March 1971, "Vedr. syddansk og færøsk fiskeri ved Grønlands indtræden i fællesmarkedet." and Anita Dethlefsen, "På vej mod EF: Landbruget og de europæiske markedsplaner 1957-72...", op.cit.,90ff.

⁵⁶ See Morten Rasmussen, "Joining the European Communities...", op.cit., p.386ff.

the prospect of an upcoming election in the latter half of 1971, Krag found the solution. If a referendum was held to decide Denmark's relationship with the EC, the European question would be completely removed from parliamentary politics. Prime Minister Baunsgaard that had a similar problem in the Social Liberal Party was quick to support Krag and holding a majority in parliament together they forced the reluctant Conservative Party and Agrarian Liberal Party to support the proposal.⁵⁷

By decoupling the final decision on Danish EC-membership from the parliamentary system, it was also fundamentally outside the control of societal interests. This did not mean, however, that they could not indirectly influence the outcome of the referendum. However, the adherents of Danish EC-membership found it difficult to run a coherent campaign. The agricultural organisations decided to refrain from promoting Danish EC-membership, because this might create a backlash among the social democratic voters who according to opinion pools would be decisive for the result.⁵⁸ The trade union movement also decided not to support the yes campaign to avoid deepening the split within the movement. This seriously harmed the campaign because it limited the financial means of the Social Democratic Party.⁵⁹ This left Danish industry as the main driving force financing and pushing the yes campaign along with the help of the Conservative Party and the Agrarian Liberal Party. Eventually, the social democratic leadership and the campaign run by Danish industry cooperated secretly about the message to send to the social democratic voters during the final weeks before the referendum.⁶⁰ The message was that a rejection of Danish EC-membership would be catastrophic for economic reasons, while accession would bring important economic advantages. Furthermore it was emphasised that the EC was nothing more than a commercial organisation. This it turned out secured a yes from the Danish electorate on 2 October 1972. Although a clear majority of Danish voters did not support a politically united Europe, they apparently believed that the rhetoric that the EC was merely a commercial organisation and that Denmark should join for economic reasons.⁶¹

⁵⁷ Social Democratic Party Archive. Forhandlingsprotokollerne for hovedbestyrelsen og forretningsudvalget. 941.1, "Referat af forretningsudvalgsmødet den 3 maj 1971, kl. 13.00 på Chr.Borg." Poul Nyboe Andersen, *Det umuliges kunst...*, op.cit., p. 59 and HBA.38. Ministermødereferater 1969-1971, "Ministermøde tirsdag den 4. maj 1971 kl. 10.00 i statsministeriet." and HBA.41.2. Ministermødereferater 1969-1971, "Ministermøde tirsdag 4. maj 1971 10.00."

⁵⁸ Anita Dethlefsen, *På vej mod EF: Landbruget og de europæiske markedsplaner 1957-72...*, op.cit., p. 103ff..

⁵⁹ National Organisation of the Federated Trade Unions Archive. forretningsudvalget, Protokol 1972, 21 January 1972 and SDPA. Forhandlingsprotokollerne for hovedbestyrelsen og forretningsudvalget. 941, "Referat af forretningsudvalgsmødet den 11. august 1972, kl. 9.30 på Chr.Borg."

⁶⁰ Nils Foss, *Hvor der handles – Kapitler af mit erhvervsliv*, (København 1990), p. 174ff..

⁶¹ Nikolaj Petersen, *Folket og Udenrigspolitikken*, (Copenhagen 1975).

Conclusion

What role did Denmark's political economy play in the formation of Danish European policy from 1950 to 1973?

To answer this question in a substantial and nuanced way, this paper first took a closer look at the constitutional and political framework in which Danish European policy was formulated. Denmark's political system had clear corporatist traits with close links between the main societal interests and the most important political parties that were stratified according to socio-economic divisions. Parliamentary politics liberated the parties from the dominance of their respective interest organisation. Constitutional requirements to some extent strengthened this tendency in the field of European policy because a 5/6 majority in parliament were needed for the surrendering of Danish sovereignty. Furthermore, Danish governments had traditionally wide competences in the field of foreign policy and could in principle independently conduct whatever policy they saw fit. That societal interest in general could not dictate the policies of parties and governments did not mean that their preferences were not taken into account by decision makers. To what extent this happened in the field of Danish European policy shall be answered below.

The second section on Denmark's economic development from 1950 to 1973 documented the extent to which industrialisation and the establishment of a welfare state depended on Danish participation in the Western European expansion of trade in the period. At the same time the, seen from a Danish point of view, suboptimal organisation of Western European trade before 1973 contributed to numerous difficulties experienced by a Danish economy in rapid transformation. Although Denmark at the beginning of the period was oriented towards Britain and the Nordic countries, Danish governments could not ignore the increasingly important commercial relations with Germany and Continental Europe. With the foundation of the EC in 1958 and Britain's gradual drift towards membership, Denmark had little choice but to orientate herself towards the new Continental Community. At the most fundamental level, the success of the process of economic modernisation and the establishment of the welfare state depended on Denmark's participation in and influence on the process of economic integration in Europe. Denmark thus confirms the claim by Alan Milward and Andrew Moravcsik that increasing economic interdependence pulled states like Denmark closer to the EC. There is no evidence to suggest that Denmark restricted its trade with Germany as recently argued by Milward. Danish industrial and agricultural exports to Germany on the contrary grew extremely fast before 1958. The weakening of this trend was clearly caused by Danish accession to EFTA.

On basis of the three case studies of what could be called the defining moments of Danish European policy in the period several conclusions can be drawn. Considering the constitutional position of the government in the field of foreign policy, it is of little surprise that European policy was dominated by the Prime Minister and/or other leading ministers, who set the agenda and ultimately decided what policy to adopt. They did so in close contacts with the Ministry of Foreign Affairs; the latter played a central role in policy formulation in particular after the Market Secretariat had been founded in 1966. The dominance of the executive was first and foremost balanced by parliamentary concerns whether it was the necessity to secure a 5/6 majority in parliament in favour of Danish EC-membership or parliamentary tactics caused by electoral motives. The various interest organisations played in comparison a minor role. They were often ignored by governments and they seldom exerted any direct influence on Danish European policy. Repeatedly, the outcome of national preference formation went directly against the advices of specific interest organisations and in the case of NORDEK even against a complete unanimous front of producers that recommended terminating the negotiations. The only significant exception to this tendency was in 1957 when the Industrial Council forced the Conservative Party to side with the social democratic government against the Agrarian Liberal Party and agriculture. Measuring indirect influence is much more difficult. Apparently the three major interest organisations gained most influence through their corresponding party, but precious little evidence document that even this indirect way of influencing policy had any serious impact except for the case just mentioned. With regard to agenda setting in the public debate, there has been no major examination of Danish public debate in the period and the agenda setting role of interest organisations. Only the referendum debate of 1972 has been seriously examined, and here it is not clear whether the leading role in the pro-EC campaign by Danish industry was not counter productive in terms of securing a yes from the sceptical social democratic electorate. These conclusions on how national preference formation worked in the Danish case clearly disconfirms the importance given by liberal intergovernmentalism to interest organisations. Instead, to place parliament at the centre of analysis as done by Sørensen, Laursen and Milward corresponds much more closely to the historical evidence.

What were the leading motives of decision makers when formulating Danish European policy? Apparently, a mixture of macroeconomic concerns, international politics and parliamentary politics, were the main elements going into policy making. Macroeconomic concerns of the central policy makers were arguably the most important motive shaping Danish European

policy. How to find the best possible international framework in which to develop the Danish economy was the leading theme of Danish European policy in the entire period. Closely linked to this was the continued attempt to actively influence European politics in a direction that would overcome the market split very much shaped Danish policy in the period. Finally, the NORDEK negotiations are an example of how electoral and parliamentary politics also at times drove policy making.

The general agreement between the four old parties on the general objectives of Danish European policy after 1961 reflects how these general factors were common to all governments in the period until 1973, but also how fundamental agreement existed on pursuing industrialisation. The disagreement was one of nuances. The social democratic leadership fully understood the importance of Danish agricultural exports to the Danish economy and consequently supported Danish membership of a broadly enlarged EC, however; they did not hesitate much to pursue NORDEK that would have implied the scaling back of agricultural production. Likewise, the Agrarian Liberal Party fully backed industrialisation, but nevertheless supported isolated Danish accession to the EC because this would benefit agriculture more than EFTA membership. Sørensen's consequently overemphasises the conflict between labour and agriculture in the formulation of Danish European policy.

Instead the evidence fully supported Sørensen's and Laursens claim that a deep conflict ran in the centre left of parliament. The neutralist circles in the Social Democratic Party and the Social Liberal Party instinctively opposed closer Danish accession with Continental Europe. To the trade union movement the fear of what impact Danish EC-membership would have on the political strength of movement in Danish politics and on the different gains that had been made in terms of labour market policy and welfare was strong enough for a sizeable majority to oppose Danish accession to the EC. Although the social democratic leadership was strong enough to overcome international opposition in 1962, this was not possible in 1971, and as a consequence Jens Otto Krag chose to soothe the internal conflict by letting the electorate decide in a referendum. The conflict of the centre left and the consequences of holding a referendum would cast long shadows on Danish European policy after 1973.