IMPRESSIONS OF A VISIT TO DENMARK

by

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Introduction

At the outset I should stress that the statements made about the Danish economy and society are largely impressionistic, being based on discussions and subjective observation during five days in Denmark, supplemented by some background reading and study of statistics. But, the major purpose of my visit, and of this report, was not to study Denmark as such but rather to view Irish problems, and the research we are doing on them, in the light of Danish experience. Moreover, I did not go there with an open mind: I had, so to speak, many hypotheses relating to Ireland already in mind and I wanted to see how these looked when viewed against a Danish background.

My visit was at the kind invitation of Dr Henning Friis, Director of the Danish National Institute of Social Research, who might also be described as the father of the social side of our Institute. I had discussions with several members of his staff, and, in addition, through his agency and that of his Institute's Administrator, Mr Søren Rishøj Pedersen, I talked with persons in the public service, academic life, industry and so on.[1] I would like to acknowledge the great courtesy and kindness extended to me.

Economic Situation

The basic similarities in the scale of Denmark and Ireland give special point to any comparison between the two countries. The geographical area of Denmark is less than two-thirds that of the Republic, but with a population of 5 million as against our 3 million, the density of population there is nearly three times as great.[2] The similarities extend beyond mere size. The Danish economy is very open, though not quite as open as in Ireland, and in the past they have had a strong agricultural tradition. Denmark, no less than Ireland, escaped serious economic

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* 21-25 April 1975.

1. A list is attached in the Appendix.

2. It is worth noting that in 1921, the population of the twenty-six counties of Ireland was almost identical with that of Denmark, and in 1870 was nearly twice as great. Moreover, had we now the same density as in Denmark, our population would be $8\frac{1}{4}$ million.

disruption during the war, even though occupied by Germany. After the war they had, like us, slow growth up to 1957 with high unemployment. Like us also, they had a substantial transformation thereafter.

A major difference, however, which is evident to the eye as well as in the statistics, is the far higher standard of living in Denmark. The statistics suggest that, at current exchange rates, the average level of GDP per head is 2½ times that of Ireland. However, it is doubtful if their standard of living is as much as 2½ times greater, since the price level appears to be significantly higher than in Ireland.[1] Nevertheless, it remains true that real income per person is, on the average, considerably higher than in Ireland. Moreover, such poverty as there is exists only in marginal pockets and is not at all obvious. Denmark has also had a sufficiently rapid growth in total employment since the late 1950s to overcome its serious unemployment problem in the decade after the war. Thus, full employment was maintained in the 1960s without emigration, even though the labour force was rising by over 1 per cent per annum and the outflow from agriculture was considerable.[2]

Causes of the Danish Economic Miracle

How did the Danes reach such a high level of income *per capita*, full employment and virtual elimination of poverty? Faced with

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1. I became acutely conscious of price differences at an early stage. The travel agent had reserved an hotel room costing about £8 a night for bed and breakfast and I assumed that this would be a reasonably good quality hotel. However, as I subsequently confirmed from the Copenhagen hotel list, it was, in fact, almost the cheapest hotel in the city. Nevertheless, it was quite respectable if dilapidated, being inhabited, in so far as it *was* inhabited, by impecunious foreign students and rustic Danes from Jutland. The only other guest lending distinction to the place was an Arab, a representative of the Egyptian newspaper "Al-Ahram", who spoke English with a perfect Etonian accent and whom I overheard selling advertising space to rather nervous Danish businessmen.

2. It is true that Danish unemployment has risen again in the current recession and the official rate is about 12 per cent, which, on the face of it, seems higher than in Ireland. In fact, this is a false picture and illustrates the care needed in making international comparisons. The denominator on which the Danes base their unemployment rate consists of what they call "insured workers", numbering only 800, 000 out of a total labour force of 2½ million. The remainder are engaged mainly in activities, like the public service, where there is no unemployment as ordinarily understood. In fact, the position is that the absolute number unemployed is not substantially different from the present Irish figure of 100, 000; and, given that the Danish labour force is considerably more than twice that in Ireland, it would be more correct to say that the current short-term problem there is less than half that in Ireland.

the question, it is far easier to say how they did not do it than how they did it:

(a) It was not through agriculture, at least not since the last war. The growth rate of agricultural output has been relatively slow, agricultural numbers have been declining, and agriculture now represents only 10 per cent of the total labour force and 8 per cent of total GDP.

(b) Not through medium-term economic planning, since they have never had such, though they do have long-term perspective plans for selected aspects of the economy.

(c) Not through export subsidies or capital grants to industry, since they have never employed these incentives.

(d) Not through price competitiveness, for they have had from 1958 up to recently one of the highest inflation rates among OECD countries.

(e) Not through a sound balance of payments position, for they have been under continual threat in that regard.

(f) Not through maintenance of large external reserves, since these have usually amounted to no more than one month's imports.

(g) Not through capital-intensive industrial development, for they have concentrated to a considerable extent on labour-intensive and skill-intensive activities.

(h) Not through expansion of public debt, since they have, in fact, been reducing the public debt while it was expanding rapidly in Ireland.

(i) Not through a slow growth in public expenditure, since they have had one of the fastest in Europe.

(j) Not through low rates of income taxation, since they have had extremely high rates.

(k) Not by postponing social services until they had achieved economic development, for they have long been to the forefront in that regard.

(l) Not by deferring expenditure on housing (as was argued in Ireland on the grounds that such investment was not productive) for Denmark is one of the few developed countries without a serious housing problem.

(m) Not by foreign enterprise, since they have relied almost exclusively on native enterprise.

(n) Not by state-sponsored bodies, for they have far fewer of these than in Ireland.

You will recognise that this list, which I could readily extend, is not an arbitrary one but consists of strategies that, at one time or another, have been advocated or adopted in Ireland. But, while it is easy to say how they did not do it, even the Danes themselves find it difficult to explain how they, in fact, did it.

Professor Anders Ølgaard suggested to me that it was the outcome of some major accidents. First was the fact that in the general world depression of the 1930s protection was forced on them to defend employment. Though not consciously introduced for the development of infant industries, protection, in fact, worked in that way. A second major factor - again largely extraneous - was the move to free trade in the post-war period, starting with the pressure for liberation of multilateral trade in the OEEC, and progressing through GATT, EFTA and the EEC. As you are aware, the chief problem with the infant industry argument is that, in practice, the infants generally do not wish to grow up, but prefer to shelter in the protection of sustained trade restrictions. However, the general international pressure for free trade provided the Danish government with a strong lever in reducing protection. A further extraneous factor mentioned by Ølgaard was the significant improvement in the terms of trade for Denmark in the late 1950s. This picture, while containing a good deal of truth, seems to me an incomplete and unsatisfactory explanation.[1] Ireland also had substantial protection during the 1930s, Ireland also participated in the move to free trade since World War II, and Ireland also had the benefit of substantially improved terms of trade from about the end of the 1950s. Yet, our economic achievement is far less impressive. There are, in fact, other major factors which, though they may be taken for granted by the Danes, strike the Irish visitor forcefully.

Early Start

It should first be pointed out that in 1930, even before the advent of protection, Denmark was far more highly industrialised than Ireland. At that time, 59 per cent of their population was urbanised as against only 32 per cent in Ireland, while the proportion of their labour force engaged in industry was 27 per cent as against only 14 per cent here.

1. The picture was not a casual view thrown out by Ølgaard to fob off an uninformed, but persistent, foreign inquirer. In fact, he elaborates these arguments in his forthcoming EEC study of the Danish economy, the counterpart of the study of Ireland by Richard Bruton and myself.

Hence, in order to throw light on the Danish miracle, I think it would be necessary to go much further back than the protection of the 1930s, and to recognise that Denmark had a much earlier start in the process of economic development.

In particular, it is necessary to emphasise the importance initially of an enterprising agricultural sector, efficient in production, technologically progressive, quality conscious and with a powerful tradition of cooperation. Without this base, and the spirit underlying and engendered by it, the industrial response to the factors mentioned by Ølgaard might not have been so satisfactory. The story of the earlier phase of Danish economic development has been well documented by Dr Beddy in his 1943 SSISI paper[1] and I shall not pursue the matter further here. But, in speaking of other sectors of the economy, you will find me returning to the virtues that characterised Danish agriculture at an early stage.

Enterprise

The first of these virtues is individual enterprise and initiative. Anyone coming from Ireland cannot fail to be impressed by the fact that the vast industrial transformation in Denmark has been achieved almost entirely by native, and not by foreign, enterprise. Even more impressive from an Irish viewpoint is that it was a matter of private, rather than state, initiative: apart from protection in the 1930s there has been little or nothing in the way of direct government incentives.

It is difficult to account for the much weaker domestic industrial response in Ireland without regard to the enterprise factor. Nevertheless, the question arises as to whether we were wise, despite our late start, to switch so soon to reliance on foreign enterprise? Brendan Dowling and I have argued[2] that there were signs that native industry was beginning in the 1950s to develop export markets; and we took the view that, had there been a more favourable domestic demand environment at that time, the development of native industry would have been much more impressive then. Had Ireland also persisted longer before dismantling

1. J. P. Beddy: "A Comparison of the Principal Economic Features of Eire and Denmark", Journal of the Statistical and Social Inquiry Society of Ireland, Vol.XVII, 1943/44.

2. Kieran A. Kennedy and Brendan R. Dowling: Economic Growth in Ireland: The Experience Since 1947 (Dublin: Gill and Macmillan; New York: Barnes and Noble, 1975).

protection, would we have achieved a satisfactory rate of development without such massive recourse to foreign enterprise? I will not here seek to answer that question myself, but I may say that the Danes I met had little sympathy with the idea that we could not develop ourselves. Whenever I remarked about any of their policies that it wouldn't work in Ireland, the invariable reply was: "People in Denmark said exactly the same before we tried it, but we went ahead and found that it worked". I think this remark exemplifies a crucial difference between the two countries: the Danes may have as many sceptics as we have but, unlike us, they go ahead and do something whereas we continue talking about the difficulties of doing it.

Who were these entrepreneurs in Denmark, and in what fields were they engaged? Mr Niels Groes, an economist at the University of Copenhagen, gave me an outline of his findings in a study of this matter (unfortunately, the study is published only in Danish). First, the entrepreneurs were, in the main, small scale and widely diversified sectorally and regionally.[1] Second, the entrepreneurs were, in general, relatively uneducated in the academic sense: such education as they had tended to be in the skilled trades. Third, they were generally working on the factory floor of an existing firm when they got an idea for a new product or process. Innovation was the keynote of the new enterprises, and the innovations were native rather than borrowed on licence from abroad. Fourth, the entrepreneurs generally had very little capital at the start and there was no public body, such as the Industrial Credit Company, to come to their aid. Their main source of capital initially was often suppliers' credit, coupled with extremely hard work by the entrepreneur and his family while maintaining little more than a subsistence level of drawings from the business. Thus, retained earnings were largely ploughed back. A further important form of credit was the mortgage of personal property. Fifth, the entrepreneurs were essentially expert in production (and all that goes with it, such as design, quality, technology, etc). They knew little about other aspects of business so frequently stressed in Ireland (such as finance, marketing, personnel, etc). It is as though the Danish view was: make the article good enough and it will sell itself.

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1. It is a general characteristic of Danish society that while there are, of course, regional, occupational, and other disparities, by and large they are not nearly so marked as in Ireland.

Capital-Intensive Versus Labour-Intensive Industry

As you might deduce from the entrepreneurial environment I have described, Danish entrepreneurs have effectively been forced into labour-intensive and skill-intensive activities; and their success shows that this approach is viable in some circumstances at least. You may be aware that I have expressed reservations about the suitability of the Irish industrial incentives which tend to favour capital-intensive industry, contrary to all economic logic, given that the country is scarce in capital relative to the present and prospective labour force. All of the economists I met felt that Ireland was ill-advised to persist in such a strategy, given the scale of our employment problem over the next decade, and the very considerable cost to the Exchequer.[1] They felt that if we must provide cash incentives to new industry, we should at least devise an alternative and feasible strategy in the form of labour subsidies.

However, the only example they could usefully cite in this regard was in Germany, where such an approach has been used in some regions in the context of short-term stabilisation policy. Essentially, it involves paying an employer the equivalent of an individual's unemployment benefit for each unemployed worker hired. Thus, the employer himself has to pay only the difference between the going wage rate and the amount of unemployment benefit, and this is obviously a major labour subsidy.[2] However, I was unable to get a clear picture of the effects of the scheme in practice.

It seems to me that it might be easier to administer such a scheme in a longer-term development context, directing the labour subsidy, not at unemployment, but at new jobs. It should not prove too difficult to devise an administratively feasible definition of a new job, though, of course, the problem of definition would be greater in existing, than in new, firms. It is possible that trade unions might use such a scheme as a lever to raise wages in the new enterprise, and then seek to have these extended

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1. Professor Ølgaard told me about a case concerning the Faroes Island, to which he is economic advisor. This is an island of about 40,000 people which has increased its prosperity through fishing and is now anxious to launch some conspicuous industrial development. It had entered into negotiations with a multinational company to produce cables, a proposal strongly but unsuccessfully opposed by Ølgaard on the grounds that it was far too capital-intensive. In the event, and much to Ølgaard's relief, the multinational decided not to locate its plant there because it had received a better offer from Ireland.

2. Clearly, such a scheme would require safeguards against the obvious abuse, namely, that an employer might render his existing workers unemployed and then re-hire them to get the benefit of the subsidy.

to other enterprises through the comparability principle. I do not deny the difficulties but, nevertheless, it is an idea that might be examined further.

Company Taxation

The fact that entrepreneurs relied to a considerable extent on retained earnings naturally raises the question of the system of taxation of firms. Essentially, the tax position in Denmark favours the company form of operation and the retention of earnings: profits on unincorporated businesses and dividends are taxed at the very high income tax rates, whereas retained earnings of companies are taxed at the much lower rate of $37\frac{1}{2}$ per cent. Thus, most businesses quickly become companies and the differential taxation in favour of retained earnings encourages the ploughing back of profits.

Technological Innovation and Design

I have laid particular stress on design and technological innovation in Danish industrial development. What factors fostered this enterprise in design and innovation? A cardinal influence is the prestige attached in Danish education to the industrial arts. For example, Denmark has always had many professorships of industrial design, several of whom pioneered modern designs and developed students who later exploited such designs at the factory floor.

It is generally accepted that Danish modern design in such materials as silver, porcelain, glass, furniture, ceramics, pewter and so on, is superb. I emphasise particularly modern design: it is true that they have their traditional prestige designs in porcelain and glass, just as we have Beleek and Waterford Glass. But, by its very nature, the traditional high quality article will rarely, in itself, provide a sufficiently broad base for a major industrial drive. The Danes, while retaining the profitable traditional designs, have pioneered new designs on a wide scale.

Perhaps I might insert a word here about industrial design in Ireland,[1] since any review of our industrial incentives might well consider a switch from capital subsidies, not to labour subsidies but rather,

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1. The information on which this paragraph is based was kindly supplied by Jeremiah Moynihan who is engaged on a study of Coras Tráchtála Teo for his M.A. thesis at UCD.

to expenditure on improvement of design. In 1961, Coras Tráchtála Teo commissioned a study on the subject by a team of six Scandinavians, which included three prominent Danish designers. In their report, Design in Ireland, they noted that "Irish culture has developed a distinct learning towards literature, theatre, the spoken word and abstract thinking, rather than creation by hand or machine and the visual arts - the other side of human activity in civilisation". Among the many interesting statements and recommendations in the report, it is interesting to note their view on the role of home demand: "We believe that one of the great factors in the success of Scandinavian design abroad is that the production is based on what has already been established and on local demand rather than on export requirements. The Scandinavians designed and manufactured work for Scandinavians and the ultimate export success depended on this outlook". Since then, some progress has been made and design consciousness has increased considerably. In particular, the Kilkenny Design Workshops have made a notable contribution. However, while I would be the last to judge the success of a programme by the size of its expenditure, one might question the scale on which the problem is being tackled officially. In 1973/74, the total Government grant to the Kilkenny Design Workshops was £$\frac{1}{4}$ million: this compares with total state expenditure on industry (not counting transport, fuel and power) of over £70 million in that year. Moreover, it was only in 1969 that CTT eventually began offering design fellowships to young Irish persons for study abroad: the number involved, four, seems miserably small, even allowing for the fact that every beginning must be a little one. And perhaps progress has been least of all in education on which the Scandinavian team laid such emphasis: "We think that it is impossible for Ireland to make progress in design without a radical change in the existing education institutions and a new approach to the problems involved".

I encountered strong scepticism generally about the role of academic secondary or university education in encouraging economic development, on the grounds that such an education often inhibits rather than fosters creativity in regard to the production side of industry. They felt that a pronounced tendency towards academic education, such as exists in Ireland, would make it impossible to provide sufficient jobs, unless complementary importance were attached to technical education. Some even added that, since academic education rendered its recipients literate and vocal in demanding their "rights", there could be serious social unrest in the event of their remaining unemployed.

Though high quality consumer design has played a major role in the Danish industrial initiative, of even greater importance for exports has been technological innovation in producers goods in a wide range of industries, but especially in light industry. Here again, particular stress was laid on the role of education and research in relation to technological innovation, but with an interesting twist. The Danes have poured vast sums of money into such academies: yet, the academies themselves, so I was told, produced few workable innovations, and, in that sense, the investment was a total waste. However, these academies were also teaching institutions and many of their students, after a few years experience in industry, produced effective innovations. The importance of the practical learning environment of the factory floor was repeatedly stressed to me. The thought arises as to whether, in the light of the Danish experience, Ireland should consider more direct involvement of its R & D institutions in the technological colleges, and develop even closer links with the factory floor.

Competitiveness

As an economist schooled in the importance of price competitiveness, perhaps the most puzzling feature to me was how the Danes managed to sell abroad. As I mentioned, the general price level seemed substantially higher than in Ireland as the prevailing exchange rate. Moreover, in most countries one visits, even if the general cost of living is higher, one still finds many items that are absolutely cheaper, due either to the law of comparative advantage of differences in indirect tax rates. But, in my own observation I did not see anything that was actually cheaper than in Ireland.

It is true that the Danes have had persistent balance of payments troubles. However, while I would not wish to discount this unduly, the fact remains that Denmark has achieved an impressive rate of growth of industrial exports: these are now of far greater consequence than agricultural exports even allowing for the agricultural content of industrial exports. The economists I met expressed considerable perplexity about Danish competitiveness: they themselves marvelled at its continuance; and were frank enough to admit that they did not know all the answers. However, I feel that I was given some insight into the resolution of the problem. Mr Jøagen Hansen, an economist at the equivalent of our Confederation of Irish Industry, who has made a special study of the issue, put it best perhaps when he said that the Danes had concentrated on goods where price competitiveness as such was not a major determining factor. This approach was forced on individual entrepreneurs by the high level of wages. In principle, a high level of wages can be offset by a high level of productivity, but the Danes concluded that in many mass-produced items they could not achieve a sufficiently high rate of productivity to offset the high level of wages.[1] In arriving at this conclusion, the entrepreneurs were, no doubt, influenced by the fact that capital - one means of achieving a high level of labour productivity - was not so freely available or cheap. Hence, in consumer goods Danish competitiveness depended chiefly on outstanding design at the upper end of the quality market; and, in producer goods, on technological innovation.

If this picture is correct, it provides an important warning to us in our research. Though we pay lip-service to determinants of exports other than price and demand, we generally ignore them at the analytical stage, particularly in the econometric approach.[2]

Demand Expansion

It would, however, be totally wrong to regard the Danish economic achievement, particularly in the growth of employment, as based purely on industrial development, or to conclude that industrial development has been solely export-led. In fact, Denmark maintained an extremely rapid rate of growth of domestic demand, largely by fiscal expansion, since the late 1950s. The rise in public expenditure has been phenomenal: from 25 per cent of GDP in 1960 to 42 per cent in 1972, an increase which far

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1. Hence, they are quite resigned, for example, to the fact that their already greatly diminished textile industry will virtually disappear in EEC conditions. As Professor Ølgaard put it: "We would prefer to leave that type of activity to the Koreans".

2. Another example may serve to illustrate the point further. I visited a fishing-tackle shop to see what the artificial flies were like. From previous experience in other European countries, I was not surprised to find that the varieties and names were mainly British. I was a little more surprised to find that they were all imported: the assistant told me that though many Danish fishermen made flies for their private use it would be totally uneconomic at Danish wage rates to produce flies commercially. Up to recently, most of the flies were imported from Britain, but of late they were being replaced by imports from Gambia which produced similar flies more cheaply. On learning that I was from Ireland, the assistant remarked that at one time they sold Rogan's flies, made in a family business in Donegal. He told me that the flies were of the best quality, reasonably priced and, therefore, highly profitable to him. When I enquired why he no longer stocked them, he hesitated before replying that supplies were erratic.

exceeds the Irish rate (from 27 to 38 per cent of GDP) in a period regarded here as exceptionally expansionary.[1] It should be borne in mind that the much more rapid Danish expansion took place in the context of a far tighter constraint in external reserves.

Some of the Danish economists deplored this rapid expansion on grounds that it had led to a relatively high rate of price increase - as, indeed, it did, long before the recent acceleration of inflation. But, I would accept the view of Friis and the younger Danish economists that the rate of inflation experienced by Denmark in the 1960s (about 6 per cent per annum) was a small price to pay for full employment, the achievement and maintenance of which depended crucially on the rapid rate of expansion in domestic demand. Evidence is accumulating all the time - both for developed and underdeveloped countries - that the manufacturing sector, vital though it may be as a basis for development, cannot generate anything like enough jobs for full employment. Eamon Henry drew attention to this issue in Ireland,[2] and his analysis is substantially confirmed by Danish experience, where the most rapid rates of employment growth have been in building and construction, and the public sector.[3]

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1. Capital transfers are excluded in both the Danish and the Irish figures here. Their inclusion would raise the Irish, relative to the Danish, level in both years, but would only have a slight effect on the relative rate of increase.

2. Eamon Henry: Irish Full-Employment Structures, 1968 and 1975 (Dublin: The Economic and Social Research Institute, Paper No.74, 1974).

3. Following are the comparative employment growth rates by sector:

	Denmark (1960-72)	Ireland (1961-72)
	% per annum	
Agriculture	-3.3	-3.1
Manufacturing (including electricity)	0.6	1.7
Building and Construction	2.7	2.5
Services	2.8	1.0
Total	1.3	-0.1

It may be noted that the Danish growth rate exceeded the Irish much more in the case of total employment than total GDP (4.7 per cent in Denmark as against 3.9 per cent in Ireland), the corollary being a lower rate of productivity growth in Denmark (3.4 per cent as against 4.0 per cent).

The growth rate of employment in building and construction in Ireland from 1961 to 1972 must be seen in the context of the decline of 3.6 per cent per annum in the preceding decade. Thus, the 1972 level of employment in that industry in Ireland was 10 per cent less than in 1951, whereas in Denmark it was 50 per cent greater.

The Balanced Budget Multiplier

The expansion in public expenditure was mainly due to substantial increases in public employment in all kinds of service activities (e.g. civil service, universities, research, health, day-care, and so on) as well as in social security transfers. In other words, it was mainly in public current expenditure rather than in public capital expenditure, and the public capital programme is nowhere nearly as important as in Ireland. For example, the housing situation in Denmark is remarkable not only for its adequacy but also because so little of it has been publicly provided. Most of the housing activity by public authorities in Ireland is undertaken there by cooperative building societies. The State has assisted to the extent of subsidising the interest rate at which these societies borrow so as to maintain the rate no higher than 6 per cent. Nevertheless, the government has been relieved of the need for directly raising large capital sums; and it is probable that the societies operate with greater flexibility and more regard to individual circumstance than is possible for a public authority.

There is a cardinal difference between the two countries in the way in which the rise in aggregate public expenditure was financed. In Ireland a significant proportion was financed by borrowing, with the result that the borrowing requirement has grown at an enormous, and perhaps unsustainable, rate; while the level of public debt relative to GNP is now second only to Britain among EEC countries. In Denmark, on the other hand, tax revenue rose by more than public expenditure and exceeded total expenditure (current and capital) throughout. Thus, the government was able to reduce the level of national debt, which is now virtually zero. Those of you who are not economists may wonder how such a policy could be so expansionary, as it undoubtedly was. The answer lies in an economic theory known as the balanced budget multiplier, which indicates that equal increases in government expenditure (on goods and services) and in revenue will be expansionary rather than neutral in their effect on demand. One important reason for this is that increased taxes are met partly out of saving and not solely by reducing personal consumer expenditure.

I confess that while I was entirely familiar with the notion of the balanced budget multiplier as a theoretical construct, I never attached much importance to it as a practical matter, so that the Danish experience was a revelation to me. It is true that the balanced budget multiplier in Ireland may not be quite so significant for domestic demand because of our higher import propensity. It is also true that the balanced budget multiplier is largely irrelevant when, as in the last few years, increases in government expenditure and in revenue mainly reflect price increases rather than real increases. Nevertheless, it is likely that during the 1960s the balanced budget multiplier was also important in the Irish context, quite apart from the expansionary impetus of increased public borrowing.

One of the corollaries of the Danish government's success in reducing the national debt was that the municipalities, housing societies and other such institutions were forced to borrow substantially. Industry also had to find its own capital. Indeed, many institutions and firms borrowed considerably abroad and this played a role in maintaining external reserves in the face of current balance of payments problems. Some of the Danish economists regarded it as somewhat paradoxical that the government, while reducing its own indebtedness, tacitly encouraged other agencies to increase indebtedness, including foreign indebtedness. However, I see nothing particularly wrong with this: it represents a delegation of authority and responsibility and a brake on centralisation which could make for greater efficiency.

Disincentive Effects of Social Welfare Benefits

A substantial part of the growth of public expenditure has been devoted to creating a welfare state far in advance of most countries of the world. An issue of considerable interest to me was whether this had led to substantial disincentive effects. I was thinking, particularly, of our worry in Ireland that the size of unemployment benefit constituted a deterrent to work effort. I can say without qualification that no one I met in Denmark attached any importance to this. Friis summed up the general view as follows: "We had similar controversies here in the 1950s when the level of unemployment was high, but the controversies disappeared once buoyant demand for labour was created. It was then clear that nearly everyone was willing to work, and no evidence remained of significant malingering". I was told that one can still hear stories there of people "living it up on the dole", but such cases, even if credible, are too few to be of any consequence. In this context, it should be noted that the Danish unemployment benefit is much more generous than in Ireland: it amounts to 90 per cent of income within a limit of 960 kroner a week (about £75 a week) and lasts for a period of $2\frac{1}{2}$ years.

This evidence, if correct, raises serious questions about one of the basic foundations of the economic approach to human behaviour - the notion that work is disutility, and leisure, utility. Even if we have never given full credence to this idea, it still ramifies all our thinking at the analytical level. Let us be frank, however, in admitting that the traditional approach is largely based on a priori reasoning; that as economists we have paid inadequate attention to the social forces influencing the choice between work and leisure; and that there have been all too few attempts at empirical validation. I need scarcely remind this audience of the perils of persisting with a priori reasoning without adequate empirical verification.

However, no sensible person drops his preconceptions too readily, and I naturally tried to probe deeper into the reasons why the expected disincentive effects did not emerge. One factor mentioned was the moral opprobrium of being unemployed: this becomes an influential force when jobs are plentiful, since it is then harder for the inveterate idler to excuse his position on the grounds that he cannot find a suitable job. Furthermore, I got the impression - and it is no more than an impression - that the Danish authorities were quite strict in denying unemployment benefit to a person who would not accept a reasonably suitable job offer. Again, it is far easier for the authorities to act thus when demand for labour is high.

Not only were the Danes not particularly concerned about the possible disincentive effects of high unemployment benefit, but, one of them, Mr Kaj Westergaard, the economic advisor to the Ministry of Labour, stated that on the contrary he would be worried by the opposite condition - a low rate of unemployment benefit. His argument was that a low rate may engender a condition of inferiority and deprivation, leading to a culture of poverty, so that later it might become virtually impossible to restore such persons to normal employment.

While I encountered universal denial of the disincentive effect of high unemployment benefit, paradoxically, many of the same people spoke with some feeling about the disincentive effect of high marginal income tax rates.[1] There was a good deal of talk about the

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1. The resolution of the apparent conflict might lie in the differential effect of social forces on decisions about work and leisure: perhaps it is more socially acceptable to avoid, if not evade, taxes than to eschew work altogether.

impact of high tax rates in forcing people to provide certain kinds of services themselves, rather than earning extra taxable income to purchase these services. However, no one produced any hard evidence on this question.

Nevertheless, the Danes have been seriously worried in the past few years about the size and growth of the public sector, and the issue has featured prominently in their long-term perspective planning. This worry has several interrelated bases. There is a sense in which it can be said, subject to careful qualification, that the public sector (broadly interpreted to include also universities, research institutes and other bodies financed from public funds) ultimately lives off those providing saleable goods and services. To the extent that this is so, problems could arise if the public sector grew too large in relation to manufacturing and agriculture at the standard of living conventionally demanded, one of the first signs of the problem being a balance of payments deficit. This worry would be lessened if a faster rate of growth of productivity were achieved in industry without diminishing employment there; and that is one of the strategies being considered. But, even with high growth of industrial productivity, the taxation implications remain: would people be willing to accept tax rates sufficiently high to finance a continuous increase in the share of the total labour force employed by the public sector? No answer has been found to that question but it is a very live issue there at present, one manifestation of which is the emergence of a maverick political party whose main platform is to abolish income tax.

Another indication of concern with the problem is that several of the public sector employees felt that their incomes would have to rise relatively slowly in future compared with the private sector; and, moreover, that at the higher levels of the public sector, real incomes might even decline somewhat. These statements came from persons likely to be directly affected, and they seemed remarkably philosophical about the matter. They pointed out that incomes in the public sector had risen relatively rapidly in the 1960s due to the rapid growth in public employment, and that it was not unreasonable that they should rise more slowly for some years hence. Also, they felt that their absolute standard of living was so high that some reduction in real income would not be unduly onerous.

Wages, Prices and the Exchange Rate

This leads me to the question of wage increases in general and their relation to internal prices and the external value of the currency. The Danes had a higher rate of domestic inflation than most of the developed countries during the 1960s. Since they were then linked to the £ sterling, this creates something of a mystery about their competitiveness, on which I have tried to throw some light. Like everyone else, they have had an acceleration in inflation in the past few years, but to a lesser extent than in Ireland or Britain. Last year, their consumer price index rose by 15 per cent, this year they hope to hold it to about 12 per cent, and next year bring it down to about 6 per cent. Why have they been so much more successful than us? It seems to me that there are two major factors involved: the exchange rate and the attitudes of trade unions.

As regards the exchange rate, the Danes, like us, were closely linked to sterling for much of the post-war period. However, in 1967 when Britain devalued by 14 per cent, the Danes devalued by only 8 per cent. More recently, they have entered the "snake", so that they are now linked with the mark and other currencies which have effectively appreciated relative to sterling and the dollar. Undoubtedly, the break with sterling and subsequent entry into the "snake" have served as a major check on imported inflation.[1] Mr Hansen, the spokesman for industry, told me that his organisation strongly supported the discipline of the "snake" as a brake on domestic inflation, despite the difficulties that this might pose for competitiveness.

However, no discipline will work if the forces involved refuse to be disciplined. Are Danish workers any more moderate than their Irish counterparts? It is probably impossible to answer such a question, and certainly unwise to attempt it on the basis of my inadequate knowledge. All I can say is that Danish labour has acquiesced early this year in a pay deal lasting for two years which is remarkably moderate.

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1. The following comparison of inflation rates is instructive:

	Denmark	Ireland
	Per cent per annum	
1960-68	6.1	3.2
1968-72	5.6	8.3
1973	9.3	11.5
1974	15.3	17.0
1975 (forecast)	12	24
1976 (forecast)	6	?

It involves very little overall increase in money incomes, with the prospect of a real income fall for some of the better-off workers. This, together with the anticipated lower rate of increase in import prices, is why they can be reasonably optimistic about getting their inflation rate down to 6 per cent next year. The circumstances in which the pay deal came about are rather interesting: it has been accomplished, not by a strong government, but rather by a weak and tottering government. The recent Danish elections were indecisive and led to a curious coalition of the socialists with some disparate right-wing groups. I was told that the trade unions agreed to this restrictive pay deal only because they felt it necessary to strengthen the hand of the socialists, whom they strongly support.[1]

Trade union attitudes apart, however, there are other factors to be considered before we launch into the "snake" following Denmark's example. From what I could gather, the value of the kroner has been maintained partly through substantial support by the German Central Bank on foreign exchange markets; this is something that the Danes do not particularly like to talk about, their antipathy to Germany being as deeply-rooted as their love for England. More fundamental is the fact that Denmark is not so closely bound up as Ireland in trade with the U.K., having also major trading links with Germany, Norway and Sweden, all of whom are in the "snake". Hence, retention of the sterling link might have caused even greater inflationary difficulties for Denmark than for Ireland. Indeed, Denmark's devaluation in 1967, even though less than that of sterling, was extremely unpopular among ordinary Danes, since Norway and Sweden did not devalue at the same time. Thus, the kroner, which had long exchanged at a stable parity with the other Scandinavian currencies, was reduced in value. In this context, you must realise that contacts among the Scandinavians are at least as close as between the Irish and the British, with the difference that they seem to like each other more. There are no passport restrictions, only nominal customs checking for personal travel, and some of the Danes I met have holiday homes in Sweden or Norway.

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1. Dr Brendan Menton has drawn my attention to the fact that a reduction in income taxation early this year may also have been influential in securing acceptance of moderation in incomes.

Indexation

I discussed the question of indexation in inflationary conditions with Professor Ølgaard, who is very keen on it. I mentioned my reservations about indexation which I should like to summarise briefly as follows. In an ultimate sense, inflation may be regarded as a conflict of interest between different groups, involving a contest about (a) maintaining real income; and (b) changing relative positions. The hope is that indexation, by seeking to assure automatic maintenance of real income for all without a contest, will dampen pressures in regard to (b). However, even if it succeeds in reducing the (b)-type pressures, it still cannot work where, as in 1974, there is an overall loss of real income through adverse terms of trade. Also, I would be gravely sceptical that it would, in fact, succeed in dampening (b): if it could do so, why should a serious domestic inflationary problem have arisen at all? And, in the event that the struggle about relative shares continued, automatic indexation could only make matters worse rather than better. The only way in which I could see any benefit from indexation in controlling inflation would be if it applied only to some transactions and not to all: in this way one would, in effect, be seeking to secure an implicit consensus about which groups should suffer a relative, and probably an absolute, loss in real income.

Ølgaard's view was that indexation should apply only to private, but not government, transactions so as to put relations between the private borrower and lender, for example, on a proper footing. Obviously, the fact that the government is not a major borrower in Denmark would make this more feasible there than in Ireland. Here, it seemed to me that, if indexation applied generally in the private sector, it would be impossible politically for the government to avoid adopting it in relation to its own salaries, interest payments, and the social welfare classes. Not only that, but the farming organisations would be likely, notwithstanding EEC regulations, to demand something similar from the government, and would wield strong political pressure in support of their demand. Hence, whatever may be possible in Denmark, I remain sceptical of indexation proposals for Ireland.

Research Approaches

A great part of my time was devoted to discussions on research approaches, exchange of staff, and other technical matters of that nature. These discussions were valuable to me and raised some issues that I might mention here. One point made to me forcefully by Friis and others was that if we in this Institute wish to influence policy, we will have to comply with two major requirements. The first is to write in a way that will be comprehensible, not necessarily to the man in the street, but at least to a politician, administrator, journalist, etc, with a special interest in the area but lacking sophisticated academic knowledge of the subject.[1] The second requirement, which is both more important and less obvious, is that we must try to indicate not merely what should be done but how it should be done. For example, if one's analysis of inflation leads one to the conclusion that the best means of control would be through incomes policy, it is quite insufficient for the research worker to leave the matter at that: he should go on to indicate what form an incomes policy should take and how it might be put into effect. This is not to say that he would be expected to work the matter out to the last detail, for that is the function of government, administration, and the parties involved. But, in order to stimulate action by these agencies, the research worker should examine the forces opposed to his proposal and, in the light of this study, try to suggest in broad outline the means of circumventing or overcoming them.

Another concrete example may elucidate this point further. In discussing with Friis the ESRI study of local government finance by Copeland and Walsh, I mentioned the manifest inequity of the existing rateable valuations, arising from the fact that properties have been valued at widely different dates. While numerous bodies, commissions of inquiry, and research reports over the last half-century have recommended a general revision of property valuations, nothing has happened. In response to Friis's inquiry into the reasons for this inaction, I replied that it was partly due to bureaucratic inertia, but more fundamentally because property owners adversely affected could exert sufficient political pressure to oppose any synchronisation of valuations. Friis suggested that, if this were so, there was no possibility of attaining the ideal and that the researcher, while insisting on the ideal, should also seek to offer a workable compromise. He instanced the arrangement devised in Denmark regarding the

1. While clarity is welcome whatever the audience, I myself would qualify the above advice by adding that the style of communication depends on the nature of the problem. In some cases, before policy can be influenced, it is necessary to convince one's fellow social scientists, and this process may require a form of communication not readily intelligible to the politician, etc.

up-dating of rents on properties formerly subject to rent restriction: the rent is revised notionally every couple of years without imposing the increases on the existing tenant. However, for a new tenant the notional figure becomes the actual rent. This arrangement at least puts a time limit on the degree of inefficiency involved, and safeguards the future without imposing too severe a burden in the present.

Though Ireland and Denmark are both small nations, research on their problems is likely to raise as many issues of profound intellectual interest as in a major country. It is probably not accidental that the first published version of the balanced budget multiplier theorem came from a Dane, Professor Gelting, as long ago as 1942, though it is only in a recent issue of the History of Political Economy that this has been duly recognised and the full text of Gelting's paper published in English for the first time. It is also no accident that much of the interesting work on the terms of trade effect has been done in Ireland (by Geary) and in Denmark (by Bjerke), in both of which the high trade ratios make this effect particularly important. Local phenomena can obviously provide a stimulus to the generation of interesting new theoretical ideas.

I was gratified to hear from a person closely associated with the selection of EEC economists that the Irish applicants were by far the best; and that this superiority was only partly accounted for by the fact that, because of the high level of incomes in Denmark, fewer of their economists found it attractive to apply for Brussels.

Poverty Line Studies

While in Denmark, I sought advice about a research proposal which recently reached me from the Department of Social Welfare, namely the development of a measure of minimum family income. In the past few years, the Department's primary concern was to raise the level of social benefits. Having achieved significant increases, they were now anxious to judge whether, in some sense, the different classes of allowances were adequate, or possibly even excessive in some cases. Their concept of a "minimum family income" is closely related to that of the "poverty line", about which our Working Group on Poverty Research Priorities had expressed considerable scepticism.

No one in Denmark gave me any encouragement to develop measures of minimum family income per se. In fact, they were strongly opposed to this approach. They stressed that any such measures would be highly arbitrary. While it was the "dream of every politician and administrator" to have such awkward problems subjected to so-called scientific prescription, neither the politician nor the administrator would be very happy with the outcome. The decision-making process would suffer from a compression of the diversity of experience in any one class (such as old age pensioners) into a single measure. There would be strong pressure to bring all benefits up to the minimum, which they considered objectionable on two grounds. First, it would operate unfairly: for some, already adequately provided for by relatives, the amount could be too high, given the limitations on State resources; while for others it might be far too little. Second and more fundamental it would be a negation of democracy: in a matter where subjective judgment would predominate over scientific content, a non-representative body such as the ESRI would be exercising undue influence in specifying the minimum income required by a family.

This is not at all to say that they felt we can do nothing to help the politician or the administrator in formulating policy on such matters. The approach they favoured was more broadly-based study of the life style in each class (such as old age pensioners, unemployed, deserted wives, and so on). Such studies would be concerned generally with how such persons manage: what sources of income they have, whether they have accumulated past savings, whether they have dependants or, in turn, can depend on their family, how they spend their money, at what prices they purchase, and so on. The approach could be either from an economic or a social viewpoint; but Friis would strongly deprecate this introduction of disciplinary terminology, while fully recognising that persons trained in different disciplines would not normally consider exactly the same complex of issues. Such studies would draw attention to the wider range of policies, over and above income supports, needed to cope adequately with the problems of deprivation; moreover, they would be of great value to voluntary bodies.

Danish Statistics

My visit to the Danish Central Statistics Office served to underline how handicapped we are in survey research here by the confidentiality restrictions imposed on our Central Statistics Office, and the resulting cost, in terms both of research time and survey expenses, that falls on our Institute. In Denmark, unlike Ireland, not only do research workers have access to the CSO data for sampling frames, but also, subject to certain safeguards, to individual (but unnamed) biographies containing a considerable amount of personal information, including income tax. Surprisingly, in a country so recently invaded by Germany, there has been no public discussion, let alone outcry, on this subject. This may be because the population is so homogeneous, contains so few Jews, and information on religious affiliation is not recorded. However, these factors probably apply also in Sweden, which, nevertheless, has had considerable public controversy in the matter, resulting in tight legal and administrative restrictions on the use of the data.

The Danes intend to dispense in future with the Census of Population, since this costly exercise is now redundant, given their other sources of information. While admitting that their migration data are far from perfect, they do not consider this a serious worry in their situation: though there is unrestricted movement between the Scandinavian countries, emigration is not significant, while immigrants must register.

Marriage Patterns

The Danish CSO has had problems with some demographic statistics because of changes in the society itself. Co-habitation is extensive among young people with the statistical result that approximately 15 per cent of marriages have been "lost". The Danes are far from being a prurient people: on the contrary, they are extremely family-centred. Paradoxical though it may appear, they do not consider co-habitation as a breach of this family-centred tradition. They feel that, though no marriage contract exists, most of these liaisons will prove as stable as marriages; however, it is too early yet to be sure. What surprised me most was not the existence of the phenomenon but the attitude of the older people. None of the parents with whom I discussed the matter admitted any concern, even should their own children be involved. And, just as an Irish parent takes a special interest in a prospective son-in-law or daughter-in-law, Danish parents like to inspect the prospective "co-habitee", they hope that he is a nice boy or that she is a nice girl, and they are anxious that the relationship be a permanent, stable, and happy one.

In practice, quite a number of these relationships have led to legal marriage, especially where a child was conceived. Interestingly enough - and this is a further indication of the radical differences in attitudes there - the pressure for marriage in such cases is not to protect the good name of the mother or the welfare of the child, but rather for the defence of the father's rights: the mother suffers no social stigma and, under the welfare state, would normally be financially secure whether the relationship continued or not; the child suffers no social stigma either, and has as much rights (in relation to such matters as inheritance) as a legitimate child; however, the father, in the absence of a marriage contract, would be devoid of legal rights in relation to his own child.

Concluding Reflections

In visiting another country, one is subject to many emotive stimuli, so that there is a danger of adopting one of two extreme positions in assessing the relevance of their experience to one's own country: at one extreme, unbounded admiration and unthinking emulation; or, at the other extreme, hostility and outright rejection. Either reaction would be wrong, the former risking a misuse, and the latter a neglect, of relevant experience. Thus, while admitting my respect for Denmark's achievements, and my affection for its people and way of life, I have no wish to encourage a Danish cult in Ireland. Rather, I would suggest reflection on Danish experience to consider what can profitably be applied to Ireland, with due regard to the different conditions and ethos in this country.

Having already set out many issues of detail for such consideration, I shall confine my concluding remarks to some larger issues. Throughout my visit, I was repeatedly struck by the fact that a small country like Denmark is likely to yield more relevant insights for Ireland than a large country. Similarity of scale introduces considerable similarity in the nature and scope of problems encountered. In Ireland, we have long tended to adopt U.K. models - often slavishly so. It is hoped that entry to the EEC will encourage greater attention to experience in the smaller economies of the Community, and in Europe generally; and, moreover, that this wider search for ideas will extend not only to government departments, but also to many other institutions of Irish life, such as trade unions, educational bodies, etc.

A review of Ireland's economic development incentives might profit from study of Denmark's experience - especially in regard to whether a capital-intensive or a labour-intensive strategy should be followed. The capital-intensive approach can generate high labour productivity and high income levels for those employed: however, the major doubt about such a strategy for Ireland is whether sufficient capital can be mobilised to assure employment for the very high natural increase in the labour force expected in the next decade. It is this doubt which has led some of us to suggest that a more labour intensive approach might have a better chance of securing full employment, although at a lower level of income than the alternative approach.[1] What is of particular interest about Denmark is that it has evolved a strategy, leading to both full employment and high incomes, which can be designated neither as capital intensive or labour intensive. Denmark chose to invest its resources relatively more in people than in physical assets, and to concentrate its production relatively heavily in high quality goods rather than in high physical productivity activities. Perhaps such a skill-intensive approach might be more central to Irish circumstances.

However, investment in people can be as economically unproductive as investment in physical assets if it is not the "right" type of investment. In pursuit of its strategy, Denmark has channeled massive resources into education in the industrial arts which has yielded significant and tangible industrial benefits, as outlined earlier in this paper. The same forms of investment need not necessarily be "right" for Ireland. It may be, for example, that the Danes have been active so long in the design field, and have such an overwhelming comparative advantage in that area, that it would be foolish for Ireland to try to emulate their achievement. Denmark, unlike Ireland, possesses not merely outstanding designers but an informed and appreciative public to provide a home market base for quality designs. However, before dismissing this possibility the following points should be considered:

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1. These alternative strategies are never so polarised in practice. Labour-intensity is a matter of degree, and no one is suggesting that Ireland should seek to compete with the underdeveloped world in low wage techniques: indeed, this would be impossible since income levels in Ireland are many times higher than in underdeveloped countries. What the proponents of a labour-intensive approach are seeking is greater attention to the relative scarcity of capital than is evident in present policy, which involves negative interest rates, larger tax concessions for borrowers than for savers, and the use of capital grants as a means of attracting new industry.

(a) Ireland already produces goods where design is a relevant consideration. The report, Design in Ireland, stated that while for some products the standard of design was high, many were so badly designed that they "would not have the slightest chance of competing successfully on the world market". Hence, if only in the interests of preserving existing jobs in free trade conditions, we cannot afford to be unconcerned about design.

(b) Comparative advantage is not a static phenomenon, consisting solely in a fixed endowment of natural resources and historical antecedents. A country can create and modify comparative advantage by appropriate measures. As the Design Team emphasised, there is no suggestion of "unqualified transplantation of features from Scandinavian countries to Ireland"; on the contrary, the best designed products found by the Team in Ireland "were those based on traditional craft industries successfully interpreting the Irish tradition".

(c) It is probable that the preferences of many young people would accord with a policy of greater stress in education on the industrial arts, and, if so, these preferences could readily be harnessed to shaping future comparative advantage. Thousands of students are at present crucified in academic studies for which they have limited ability, and emerge with poor qualifications for anything other than clerical-type work, in which there is likely to be a huge labour surplus over the next decade. My own informal discussions with such persons indicates that many would be far happier to be trained in areas like design and technology, provided adequate status was accorded to such an education and the resulting forms of employment.

(d) The high status attached to academic education at the second and third levels in Ireland - especially among the lower middle-class and farming community - stems partly from historical economic forces: for long the only jobs readily available to their children in Ireland were clerical work in the civil service, banks, and state bodies (such as the ESB, CIE, etc). The employment situation changed considerably in the 1960s as shortages of skilled workers began to emerge. However, no significant change in attitudes to education occurred, for two major reasons. First, the sanctity attached by trade unions and professional associations to maintenance of wage differentials ensures that any adjustment in relative incomes, and the resulting change in status generally, is slow to emerge.[1] And, second, public policy, which could have operated to accelerate the change in educational incentives and in attitudes, instead served to reinforce the status quo.

Thus, unless Ireland can evolve a comparative advantage based on the large numbers of academically-trained personnel which it is at present producing, it could do worse than concentrate more resources

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1. A breach in relative incomes has tended to occur more outside the wage structure by the entry of skilled workers into private contract service.

in education in the industrial arts on lines similar to, but not necessarily identical with, Denmark. Apart from education and training, Denmark has also devoted massive resources to housing, health and social benefits which also form part of its investment in people.

It is important to bear in mind, however, that even with a restructuring of public expenditure, the resources available for investment in people are far more limited than in Denmark, not only because of lower income levels, but even more so because of the substantial difference in dependency rates. This difference can be illustrated most simply by relating the population not economically active to the working population, since there is a sense in which the former can be said to depend on the incomes of the latter. Denmark with a population of 5 million has nearly 2½ million workers, so that there is one dependant per worker. Ireland with a population of 3 million has only 1 million workers so that there are two dependants per worker.[1] This vast difference reinforces the need for priorities and economy in the allocation of public resources. At present, many tasks are performed by highly-trained persons which could be done equally well with far less training (e.g. by greater use of para-medicals in health and dental care). But, even with maximum efficiency in resource allocation, the reality remains that the investment per person must necessarily be far lower than in Denmark, even taking account of external borrowing. Hence, it would be unrealistic to hold out the prospect that we could quickly move at one and the same time towards Danish living standards as well as full employment. Thus, if the latter goal is to be given priority, the need for restraint in the progression of incomes cannot be evaded.

Finally, I would draw your attention to the paradox that struck me most forcefully: though Denmark is highly socialised in terms of personal welfare services, there has been far less State intervention, and far more private initiative, at the productive level than in Ireland. I have already given examples of this and perhaps I might mention another. Several people spoke of the Danish flexibility in productive arrangements, whereby, for example, small farmers engage part-time in industry and part-time in farming. This is a subject of great interest to us in Ireland: some have recommended that the government formulate a policy on the

1. Indeed, the difference in the dependency burden may be even greater than these figures suggest since it is likely that a higher proportion of Denmark's dependent population is in the active age groups, thus involving less demand for education, health care, etc.

matter, by which they usually mean that the government should offer financial support, or even establish a new state-sponsored body to look after the matter. The remarkable thing is that in Denmark it has been entirely a matter of private initiative. People themselves devised alternatives to meet local and family circumstances, with the result that the arrangements exhibit a wide degree of flexibility and variety.

This poses the question as to whether we have moved too far in Ireland towards coddling of the private sector by the State in business affairs. It was understandable in the light of our history, and particularly in the absence of an entrepreneurial tradition, that the State should in the past have taken substantial initiatives through state-sponsored industries and promotion bodies, and by means of grants and subsidies. But, it is possible to have too much of a good thing, and it is only prudent to enquire, in the changed conditions of the 1970s, whether we might not be going so far as to erode initiative by creating a situation where the private decision-maker is concerned less with the commercial viability of his project than the extent of state funding. I raise this question without seeking to answer it here. But, I would like to make clear that it is not a political plea for a return to laissez faire: the fact of the matter is that in any democratic state, whether socialist or not, its economic performance and cultural life depends a great deal on the initiative of individuals. In Denmark, it is as if they had decided to make people totally secure at the personal level while expecting them to get on with the job at the productive level. Even if this spirit does not extend to Ireland generally, I hope that ESRI staff at least, who have recently won for themselves considerable security of tenure, will note the Danish corollary!

APPENDIX

List of Persons with whom Discussions were held

Dr Henning Friis, Director, Danish National Institute of Social Research.

Mr Søren Rishøj Pedersen, Administrator, Danish National Institute of Social Research.

Mr Øle Hansen, Programme Director, Danish National Institute of Social Research.

Mr Karsten Hillestrøm, Research Associate, Danish National Institute of Social Research.

Mr Niels Groes, Lecturer, Institute of Economics, University of Copenhagen.

Professor Poul Milhøj, Economic Research Institute, Copenhagen School of Economics and Business Administration.

Professor Anders Ølgaard, Institute of Economics, University of Copenhagen. (Professor Ølgaard is a member of the Chairmanship of the Danish Economic Council. The Council is a parallel body to the Irish National Economic and Social Council, and its Chairmanship consists of three independent economists, the so-called "Three Wise Men" - see Anders Ølgaard "The Role of External Advisers: Some Danish Experience" (November 1974, mimeographed; copy in ESRI library). I talked also with several economists on the secretariat of the Chairmanship.)

Mr Erling Jørgensen, Deputy Director, Danish Central Statistics Office.

Mr Kaj Westergaard, Chief Economic Advisor, Ministry of Labour.

Mr Jøagen Hansen, Economist, Danish Federation of Industry.