Social inequality escalates in Denmark amid bonanza for banks and corporations

By Ellis Wynne
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"Income inequality is on the rise. The rich control more of the country's wealth …The ranks of the poor are growing. Sounds like the United States? Actually it's Denmark."

So read an article "Actually, Denmark is becoming more like us" published by CNN Money last October.

Indeed, a sober analysis of class relationships in Denmark would confirm a growing inequality. As liberal newspaper *Information* put it baldly, "From 2003 to 2013 the richest tenth of Danes became 29 percent richer whilst the poorest ten percent became 1 percent poorer."

An article by the journalist Kirsten Nilsson published in *Politiken* last year noted, "The Gini coefficient [a widely used statistic to measure income inequality] has risen from 22 in 2002 to above 27 in 2012. It looked better during the economic crisis but inequality has begun to rise again since the crisis has abated."

She points out that Denmark is no longer the world's most equal society, as it was at the beginning of the millennium, but now ranks 14th in the list of European countries. Not only are the other Scandinavian countries "more equal" but so are some east European nations.

This rising inequality finds expression not only in the number of people who are below the official poverty line—in round figures 22,000 in 2002, 44,000 in 2012—but also in life expectancy. "The richest quarter of men live ten years longer than the poorest quarter," the article continued. That is 82 years and 72 years respectively.

Nilsson quotes Torben M. Andersen, an economics professor at the University of Aarhus, who writes: "If we summarise the development … the bottom finds it difficult to keep up with the middle, that is the middle class, and the top has run from the rest." She concludes, "Society is being split."

Research carried out by both Kraka, an independent research organisation, and the Economic Council of the Labour Movement indicates that the widening gap between the richest Danes and the rest of society has been developing over the last 20 to 30 years.

Kraka's August 2015 study, titled "Are the absolutely richest Danes running albeit slowly from everybody else?" shows that the richest 0.1 percent has enriched itself considerably over this period. The income threshold for membership of this tiny group has risen by 425 percent. In 2012, the richest had to have a minimal annual income of DK3.5 million (£350,000) to enter the 0.1 percent.

The survey states, "The share of total income that falls to the top 5 percent of incomes has barely risen from 17 to 18 percent over the last thirty years whereas the top 0.1 percent's share has risen by around 40 per cent."

Whereas 30 years ago small businessmen comprised about half of this layer, they now make up only a third. Instead, it is from the financial and consultancy sectors, together with the IT sector and pharmaceutical industry, that the top 0.1 percent is increasingly drawn.

It is this tiny layer that owns more than 40 percent of shares and bonds and has 88 percent of net wealth. And its interests lie not in actual production but in property and speculation.

Jonathan Perraton, a senior lecturer in economics at the University of Sheffield in England, wrote a chapter "Corporations and capital accumulation" in a compilation edited by Mogens Ove Madsen and Finn Olesen, *Macroeconomics after the Financial Crisis: A Post-Keynesian Perspective* (London and New York 2016).

Addressing developments in Scandinavia, he writes, "Although there was some tendency for wages to rise in the 1970s (albeit less pronounced than in other European economies) they have fallen from the 1990s in these economies."

Profits on the other hand have been "rising from the 1990s to rates that are comparable to those during the post-war golden age or, for Denmark and Norway, even higher." (*op cit* p. 63).

Moreover, he concludes, "Whereas earlier decades saw strong investment from retained profits and some further borrowing, investment has fallen sharply since" (*ibid*, p. 66).

This process is illustrated by the fact that 16 of the biggest companies registered at the Copenhagen stock exchange that submitted accounts for 2014 sent around DK79 billion (£8 billion) to their shareholders, up from DK60billion (£6 billion) in 2013. Last year one company by itself, the pharmaceutical giant Novo Nordisk, distributed DK28 billion (£3 billion) to its shareholders.

Reflecting this, the C20, the index for the biggest companies on the Copenhagen exchange, has risen exponentially since the Lehmann Brothers bank crash that heralded the global financial crash of 2008.

In contrast, the "real economy" has been described as sluggish at best. Tore Stramer, senior analyst at Nykredit, described 2015 as a "dud." In June, Nationalbanken, Denmark's central bank, lowered its prognosis for economic growth in 2016 from 1.3 percent to 1 percent.

The parasitism of capitalism is clearly shown in the case of the Danish banks, who following the crisis of 2008, were bailed out to the tune of DK200billion (£20 billion) in a series of "bank packages." *Berlingske* reported June 15 on a Nationalbanken report, "Financial Stability: First Half-Year." It states: "credit institutions as a whole made in 2015 their highest profits since the financial crisis. The gain in earnings was aided by a big fall in write downs on loans and guarantees in relation to the year before."

In fact, Tune Revsgaard Nielsen wrote in *Modkraft* in March that the banks made DK200 billion (£20 billion) in 2015, gifting DK15 billion (£1.5 billion) to shareholders and retaining DK30 billion (£3 billion) as interest-bearing capital.

The financial aristocracy is not, however, merely parasitic. It is a kleptocracy. In January 2014, the Social Democratic-led coalition government sold 18 percent of its shares in DONG, the energy company, to New Investment S.a.r.l. a subsidiary of Goldman Sachs, for DK31.5 billion (£3.2 billion). On June 9, these shares were offered on the stock exchange and their price estimated at DK100 billion (£10 billion).

Amongst those gaining were Henrik Poulsen, DONG's administrative director, who was allowed to buy shares at the same price as Goldman Sachs. It is estimated he will make up to DK27 million (£2.7 million).

Commenting in *Politiken* on May 29, Kristian Weise, director of Cevea, a reformist think-tank, stated openly that a "bonus of millions to Dong bosses reeks of kleptocracy." "Such a situation," he writes, "is reminiscent—in truth—of what happened in Russia during the transition from communism to a market economy ... In Russia state-owned concerns were sold for peanuts to a new group of oligarchs."

He added, "The richest of the rich do not become rich through creating new wealth but by acquiring a greater share of the wealth already created."

In stark contrast to the ever-increasing wealth of this layer, a 2014 Cevea report found that between 1991 and 2010, 146,000 industrial jobs were lost in Denmark. It noted, "In the same period 24 percent of all new Danish jobs have been created in low-wage sectors or categories at a wage that is 75 percent lower than the average wage."

This is confirmed by the Economic Council of the Labour Movement in its November 2015 report, "Decline in the wages of workers since the crisis." It reported, "Since 2008 wages for ordinary skilled and unskilled workers have fallen in real terms by DK6000 (£600). In the same period they have risen by DK130,000 (£13,000) or 8 percent for people in the upper class."