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Full Grid Denmark

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Sammendrag Prosjektet «Financialisation of Social Welfare» studerer konsekvenser av finansialisering på husholdsnivå. I den anledning ble det utarbeidet en database for institusjonelle data på en rekke velferdsområder for Norge, Danmark og UK. Dette er dataene for Danmark		
Summary The project "Financialisation of Social Welfare" studies the consequences of financialisation at the household level. As part of the research process, a database of institutional data was developed on a number of social welfare areas for Norway, Denmark and the UK, covering the period 1970-2011. This is the data for Denmark.		
Stikkord Finansialisering, hushold, sosial velferd		
Keywords Financialisation, Households, Social Welfare		

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Fields of Regulation	Pol. & Ec. Philosophy	Public Sector	Private Sector	Mix Private & Public	Other	Consequences
1970s	Policy, general ideas and directions	Implemented Regulations	Implemented Regulations	Implemented Regulations	Consumer protection, proposed regulations, events, initiatives, etc.	Welfare implications for households
Financial Services	<p>From the late 19th century, Danish consumers have been served mainly by two kinds of financial institutions: banks (commercial banks and savings banks) and mortgage banks. Until 1970, the lending from mortgage banks were roughly equal to the total lending from commercial banks and savings banks.</p> <p>Banks (commercial banks and savings banks) have served consumers through deposits and loans, before 1970 mostly in the form of loans with collateral in houses. Commercial banks are companies with stocks usually listed on the Copenhagen Stock Exchange. Savings banks are self-owned enterprises, usually established on the initiative of the inhabitants in a local area (municipality, county, etc.).</p>	To control economic crime, the usury (extortionate credit bargains) were slackened (see also private sector).	<p>1970: Agreement that banks shall keep lending within ceilings set for each individual bank by the Danish central bank (Danmarks Nationalbank). Banks promise to show restraint especially with respect to consumer lending.</p> <p>1973: Inter-bank agreement on deposit rates is cancelled.</p> <p>1973: Agreement between banks and the Danish central bank regarding restraint with respect to lending for consumption.</p> <p>1975: The usury provisions in both criminal and contract law slackened. General provisions about unfair dealing introduced in contract law. An objective maximum interest rate was not introduced.</p> <p>1975: New law abolishes differences in</p>		Consumer policy programs introduced the concept of a ‘consumer’ in law and protection schemes. However, the term was not fully introduced in terms of financial undertaking.	The impact of the usury provisions has been almost invisible. Despite the fact that it should be easier to control usury, complaints about usury seem less successful than before.

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	<p>Commercial banks and savings banks were regulated on the basis of separate laws, the activities of savings banks being more restricted especially in relation to activities vis-à-vis commercial enterprises. Competition among banks was restricted through an inter-bank agreement (supported by the authorities) which set ceiling on deposit rates. During the 1960s, competition between Danish banks became stronger. The main banks located in Copenhagen expanded into the Danish province through mergers with Danish provincial banks.</p> <p>Mortgage banks lend with collateral in real estate and on the basis of financing through issues of bonds which are listed on the Copenhagen Stock Exchange. Mortgage banks were regulated on the basis of a separate</p>		<p>activities allowed for commercial banks and savings banks. Foreign banks are allowed to establish branches and subsidiaries in Denmark.</p> <p>1975-1979: Restrictions on earnings allowed for banks.</p>			

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	law. Until 1970, the main provision in relation to mortgage banks was that mortgage bonds could only be issued (i) with collateral up to 60 % of the value of the real estate, (ii) with a maximum maturity of 60 years, and (iii) on the basis of fixed annuities.					
Housing	The Danish mortgage lending system is unique and emerged in year 1797 in the wake of the great fire of Copenhagen in 1795. In the Danish model, there is a direct match between the loan which a homeowner raises with the mortgage bank and the bonds which a mortgage bank issues to fund the loan.		1970: The Mortgage Credit Act of 1970 limited the <i>access</i> to organized mortgage lending and the <i>purposes</i> for which mortgage loans were available. Ceilings on mortgage lending are graduated based on the purpose of the lending: a)building, b)purchase of real estate, c)improvements, and d)other purposed (consumption, etc.). Loans for purchases are kept at a max of 50% of the real estate value. Virtually no possibility of borrowing for other purposes. Maturity of loans reduced to 20			Mergers reduced number of mortgage banks.

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			<p>years.</p> <p>1973: Rationing of total mortgage credit for consumers.</p> <p>1973: Ceiling on max. mortgage credit for consumers.</p>			
Social Welfare	<p>Economically, the years from 1960-1973 were exceptional in Danish history with growing prosperity and virtually no unemployment. Private spending rose dramatically, but public spending even more so: from 25% of GDP in 1960 to 50% in 1975. This expansion gave way to the intensive development of welfare services that took place from 1960-1980, and to the universalistic model of the welfare state that still forms the 'proper' Danish way (in public opinion). Already from the first oil crisis in 1973, however, the limits of the model began to be visible.</p>	<p>Following closely the work of the Social Reform Commission (1964-1972), a wide-ranging and highly influential Social Reform was implemented 1970-1980. This included:</p> <p>1970: The Social Statute (Den sociale styrelseslov) (established the new administrative structure between state, counties and municipalities, the latter increasing in size and becoming the gateway to most welfare services)</p> <p>1973: The Social Appeals Statute (Ankestyrelsesloven) (a unified appeals system)</p>				<p>Social security net increases fundamentally, as former principles of helping only the 'deserving poor' are abolished – but services differ markedly across municipalities due to principle of professional judgment.</p>

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		<p>introduced, expected to level excessive local variation in welfare services)</p> <p>1973: National Health Services Act (private health insurance societies abolished, most tasks taken over – and financed by – counties, covers e.g. free medical consultation/treatment and reimbursement).</p> <p>1973: Maintenance Allowance Act (dagpengelov) (wage earners and manager owners get right to daily benefits in case of sickness and childbirth, benefits raised considerably (to 90% of former income, yet ceiling for highest incomes).</p> <p>1976: The Social Assistance Act (bistandsloven), central feature of the Social Reform, unifies a wide range of social regulations, adopts the principle of professional</p>				

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		judgment (more than rights) as pivotal to social policy. 1979: Introduction of early retirement pension (efterløn).				
Education						
Financial Counselling	Good business practice ('god skik') in banking highlighted to support the public confidence that banks should enjoy, due to their essential role in society and economy			In 1974, the Banking Act replaced two former acts. The Banking Act introduced a provision about good business practice, a provision that today is the basis for more comprehensive legislation about financial advice. Good business practice has threads to the Market Act and other acts.		Breach of good business practice of banks often invoked, but complaints rarely successful (before 1988, only few cases).
Shifting governments & gen. pol. situation	1971-1973: Labour Government, Jens Otto Kragh, from 1972 Anker Jørgensen. 1973-1975: Right wing/Liberal Government, Poul Hartling. 1975-1978: Labour Government, Anker Jørgensen. 1978-1979: Labour-Liberal coalition, Anker Jørgensen.					

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	1979-1982: Labour government, Anker Jørgensen.					

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Financial Services	EC wanted to introduce a common consumer credit market, primarily by way of minimum harmonizing consumer protection rules. One of the main aspirations was to promote 'lender shopping'.	1987: Tax reform: Deductibility of interest expenditure reduced, lower taxes on capital income.	<p>From the beginning of the 1980s, it has become increasingly common that households finance investments through loans. Investment services have become more important as a source of income for banks. Mutual funds, in practice established and run by banks, have been the fastest-growing component in the Danish financial system. Household investments have benefited the tax deductibility of contributions to pension schemes while return on pension saving is taxed at lower rate than ordinary capital income.</p> <p>1980: System with ceilings for bank lending abolished.</p> <p>1981: Agreement between banks concerning ceilings on lending rates abolished.</p> <p>1986: Restrictions on</p>	Due to the EC Consumer Credit Directive from 1987, the Danish Credit Purchases Act was replaced with a more far-reaching Consumer Credit Act in 1990. The duty to inform the consumer about the terms of the credit was intensified. The essential information for lender shopping is APR.		A common consumer credit market and lender shopping among member states was not reached.

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			<p>consumer lending ('potato cure'): If consumer good is financed through credit, a down-payment of min. 30% is required and repayment shall take place over period of max. 3 years. If consumer goods are bought through accounts held with retailers, 5% of the account has to be repaid each month.</p> <p>1986: Restrictions on consumer lending ('potato cure'): Stamp duty on loans with collateral in houses not related to house purchase raised from 1,5% to 4/5,5%.</p> <p>1988: Restrictions on cross-border capital flows abolished.</p>			
Housing	In 1989, EC initiated a reform of the mortgage legislation regarding approval of new credit institutions.		<p>New mortgage banks had to be public limited companies, and existing mortgage banks were allowed to convert into such companies.</p> <p>1980: Rationing of total</p>			Due to the reform, large banks established their own mortgage banks. This probably facilitated the access to mortgage loans for households.

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			<p>mortgage credit abolished.</p> <p>1982: Mortgage credit eased: ceiling for loans for building and real estate purchases raised from 40% to 80% of real estate value.</p> <p>1983: Ceiling on max. mortgage loan in individual properties abolished.</p> <p>1985: Mortgage credit tightened: ceiling for real estate purchases lowered from 80% to 70%.</p> <p>1986: Mortgage credit tightened ('potato cure'): repayments changed so that 40% of loan is repaid by equal instalments while 60% of loan is repaid as annuities. Ceiling for real estate purchases is again raised to 80%.</p> <p>1986: Restrictions on lending from all financial institutions with collateral in houses</p>			

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			('potato cure'): restrictions applying to mortgage credit shall apply to lending from all financial institutions.			
Social Welfare	In 1979/1980, the second oil crisis leads to a further decline in the economy. The limits of the Social Reform of the 70's are now obvious: conceived in era of full employment, but not resistant to fundamental societal changes (dramatic increase in unemployment from 1973). From 1980, important changes in the conceptual basis of welfare services appear, and cutbacks in social budgets soon follow. In total, public spending still increasing due to high unemployment and the need for public care for children and elderly (entry of women on labour marked). The ideological keywords formulated by Conservative Gov.'s (from 1982-1993): 'modernization' of the	<p>Various cuts in social expenditures, e.g.:</p> <ul style="list-style-type: none"> -stepwise reduction of cash benefits (that were raised substantially during the early 70's) -re-introduction of waiting period (karens) for unemployment benefits -tightening of demands for receiving early retirement pension (which had turned out too 'popular') -some extension of user's fees, charging for notably medicine and dental care. <p>Other welfare services expanded, notably for families with children, students, and the elderly:</p>	Experiments (generally unsuccessful) with private hospitals.			

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	<p>public sector, ‘effective’ administration, and ‘deinstitutionalization’. In political debate, ‘welfare’ increasingly viewed as <i>not only</i> a public responsibility, instead stressing the joint responsibility of state, civil society, and the individual citizen.</p>	<ul style="list-style-type: none"> -stepwise improvement of maternity pay and introduction of paternity pay -introduction of universal benefit for all families with children under age 18 (1987). -easier access to and lower costs of day care services (by the end of 1980’s, close to 80% of 3-5 year olds in public day care) -universal study grants (SU) raised considerably and access to favourable student loans introduced (expensive bank loans replaced by low-interest state loans) -in1984, a number of early retirement pension schemes united in one system; the lowest rate abolished, and the total number of pensions going up (along with the expenses). 				

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Education						
Financial Counselling				In 1988, the Danish Complaints Board of Banking Services (Pengeinstitutankenævnet) was introduced, dealing with complaints made by private costumers against banks.		The Complaints Board of Banking Services has dealt with more than thousand complaints about financial advice from 1988-2010. Most complaints unsuccessful, because the conditions for granting damage were not present (e.g., verifiable economic loss).
Shifting governments & gen. pol. situation	1982-1988: Conservative Government, Poul Schlüter (with the Liberals, the Centre Party, and the Christian People's Party). 1988-1990: Conservative Government, Poul Schlüter (with the Liberals and the Social Liberal Party).					

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Financial Services		1998: Tax reform: deductibility of interest expenditure further reduced.	1994: Restrictions on consumer lending (imposed in 1986) abolished. 1995: Banks no longer required to exercise restraint with respect to consumer lending.			
Housing		1993: Tax reform: deductibility of interest expenditure further reduced. 1993: Restrictions on lending from all financial institutions with collateral in houses abolished.	1990: Maturity on mortgage loans raised from 20 to 30 years. 1992: Restrictions of mortgage credit for 'other purposes' (consumption, etc.) abolished. 1993: Mortgage credit eased: Repayments in mortgage credit changed so that mortgage credit is again granted as fixed-annuity loans.	In 1992, the Danish Complaints Board of Mortgage Services introduced.	1996: The mortgage bank Realkredit Danmark introduced the first 'flex loan', a loan with flexible interest rate. The other mortgage banks soon to follow with similar products.	The flex loans seems to have made the economy of households more vulnerable in the light of the current financial crisis (even relatively small fluctuations in interest rates can have great implications on payments).
Social Welfare	Growing attention on individual responsibility turns into more profound ideology of rights and duties, characterizing most welfare reforms and initiatives across the	1994: Labour Market Reform (restrictions in duration of and rights to unemployment benefits with new restrictions throughout the decade, right/duty to activation is extended to include all	Private labour market pension schemes dramatically on the rise. Payments to individual pension schemes increase substantially.	Strong state incentives to strengthen and extend the scale of voluntary social work, resulting in e.g. the foundation of Centre for voluntary social work (1992) and co-funding of local		The universal pension model, directed at creating equality for senior citizens, is challenged. Pension schemes now more based on the insurance principle, that is the

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	<p>political spectrum.</p> <p>-Workfare emphasized: passive public provision (cash benefits and unemployment benefits) to be replaced by either work, ‘activation’ (right/duty to ‘work’ when unemployed) or education. The argument is that public assistance with no strings/demands attached in itself leads to loss of working skills and marginalisation. Key phrases: ‘there’s a need for everyone’, ‘from passive to active’, ‘from cash benefits to work benefits’.</p> <p>-Calls for ‘privatization’ of social welfare, e.g. in terms of voluntary social work, corporate social responsibility and private pension schemes.</p> <p>-Emphasis on individual legal rights, e.g. for social welfare clients, yet more in terms of procedures (e.g. how to file a complaint) than</p>	<p>age-groups (before that only <25 years), certain exemptions for elderly on the job marked abolished).</p> <p>1994: The National Pensions Scheme is made dependent on earned income.</p> <p>1998: Social Reform (the Social Assistance Act of 1976 replaced by the Active Social Policy Act; the Social Service Act gathers all regulation on public social services; the Legal Rights Act is introduced).</p> <p>1999: The Early Retirement Pension Act is modified slightly to make it less accessible (note: in 2001, Labour loses government power, not least due to a suggestion to abolish the Early Retirement Pension Scheme, considered a ‘breach of faith’ by the public).</p> <p>Reimbursement</p>	<p>Private hospitals and clinics begin to get a foothold in the health care system.</p>	<p>(municipal or private) voluntary associations and activities.</p>		<p>labour marked affiliation of the individual (bringing DK closer to other continental EU countries like Germany). The changes in the pension model towards individualization and differentiation has been described as a ‘silent revolution’, as it has come about without much political debate.</p>

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	<p>contents of services.</p> <p>In 1990, unemployment still at high level. Still, the 90's a period of growing prosperity and declining unemployment rates, a development proceeding roughly until the financial crisis of 2007.</p>	<p>regulation (refusions-ordning) between state and municipalities is changed repeatedly to give local authorities the economical impetus to 'activate' receivers of unemployment benefits.</p>				
Education						
Financial Counselling				In 1994, the Consumer Ombudsman introduced ethical guidelines for banking advice.		The guidelines have been criticized for being too 'bank friendly', as the banking association had a major influence on the drafting. Parts of the guidelines are found in today's legislation.
Shifting governments & gen. pol. situation	<p>1990-1993: Conservative Government, Poul Schlüter (with the Liberals).</p> <p>1993-1994: Labour Government, Poul Nyrup Rasmussen (with the Centre Party, the Social Liberal Party, and the Christian People's Party).</p> <p>1994-1996: Labour Government, Poul</p>					

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	Nyrup Rasmussen (with the Social Liberal Party, and the Centre Democrats). 1996-2001: Labour Government, Poul Nyrup Rasmussen (with the Social Liberal Party).					

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Financial Services	<p>From 2008, Danish financial crisis: 24 Danish banks collapse (until June 2011). Government issues guarantee for all bank liabilities (except subordinated loans) (in force until 2010) and injects capital (subordinated loans) into banks.</p> <p>An agreement on common consumer credit marked and lender shopping among EC member states was not reached in 1987. The Consumer Credit Directive of 2008 has the same aim, and contrary to the first this second directive is mainly a full harmonization directive.</p>	Tax reform: Deductibility of interest expenditure reduced.	In 2010, the EC Consumer Credit Directive of 2008 is implemented into the Danish Consumer Credit Act. As a result, regulation is intensified, e.g. with a 14 days right of purchase withdrawal for consumers, a standardized pre-contractual information sheet, and a duty for lenders to assess the creditworthiness of borrowers.			
Housing			<p>2003: Mortgage credit eased: interest-only loans allowed (large expansion).</p> <p>In 2007, new legislation allows commercial banks to fund their mortgage-like loans (secured bank loans) by</p>		From 2000, great expansion in 'flex-loans' (introduced in 1996), changing the Danish system from fixed-rate to variable rate lending.	

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			way of covered bonds. EU Capital Requirements Directive implemented in Danish legislation.			
Social Welfare	In 2001, the new Liberal/conservative government announces the 'contract policy' as new guiding welfare policy. The contractual model is based on an agreement with the public (if only signed by the government) that involves: no taxation increases, no major cutbacks in entrenched welfare services, and politicians sticking to their pre-election promises. The citizens, on their part, are expected to contribute actively: the workfare ideology is fortified, individual responsibility is further stressed, the tolerance of antisocial behaviour is minimized, etc. The key phrase is 'noget for noget' (to have, you must yield). The 'contract' ideology may be said to picture the citizen overtly as a	2003: Reform of the National supplementary disability pension scheme, putting emphasis on the remaining working capacities more than the loss of such capacities. 2003: The Active Employment Act, introduces 'flexjob' scheme, intended to make room in the labour market for people without full working capacity. 2007: An extensive administrative reform (kommunalreformen), reducing the number of municipalities and counties substantially, and leaving the local authorities with the responsibility for almost all welfare services. 2007: Welfare reform with minor changes (in		Specific rights and 'free choice' of the citizen – as consumer of welfare services – introduced in various areas: -from 2006, municipalities must guarantee parents access to childcare (from the child is 6 months until school at age 6) -from 2009, municipalities must guarantee a place for elderly with a right to dwelling within 2 months -from 2004, parents are free to choose childcare in other municipalities from where they live -from 2003, senior citizens can choose freely between public and private home care (even if the service itself has been heavily		Individualization of social problems. E.g., unemployment is phrased as question of the 'inner qualities' of the citizen; you have to change your attitude and self-perception to change your situation.

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	consumer. Social welfare increasingly viewed as the handling of 'ordinary peoples' ordinary troubles'. Social problems such as poverty and growing inequality almost erased from political agenda. Ex: the Ministry of Social Affairs is changed to the Ministry of Welfare, and most of its activities transferred to the Ministry of Employment.	light of major changes suggested by Welfare Commission); age limits for access to early retirement pension and old-age pension raised, but changes only to take place 15-20 years into the future.		reduced) -from 2007, patients can choose to be treated in a private hospital (in Denmark or elsewhere), if the waiting time in the public hospital is more than 1 month. All costs are still covered by the public system.		
Education						
Financial Counselling		In 2002, the authority of the Consumer Ombudsman is placed under the Minister for Economic and Business Affairs, including Finanstilsynet (the Danish FSA).		In 2003, the Financial Business Act combines 6 specific industry acts into one general act for the financial sector. From the good business practice ('god skik') provision in the Act derives several of the Danish FSA's executive orders. Executive Order on Good Business Practice for Financial Undertakings contains a very broad definition of advice and vague		The Danish FSA (Finanstilsynet) has several and partly conflicting roles. E.g., the mix of handling simultaneously consumer protection and financial security is hardly optimal. The scope and complexity of financial legislation has increased markedly in the last decade. As the financial market is also getting

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				obligations for banks (when compared to the Executive Order on Investor Protection in connection with Securities Trading). The latter Executive Order from 2007 implements part of the EC MiFID-directive from 2004.		more and more complex, the transparency for consumers and households is getting weaker.
Shifting governments & gen. pol. situation	2001-2011: Liberal/conservative governments, Anders Fogh Rasmussen, from 2009 Lars Løkke Rasmussen (the Liberal Party and the Conservative Party, with populist right wing the Danish People's Party as supporting party throughout the period).					