

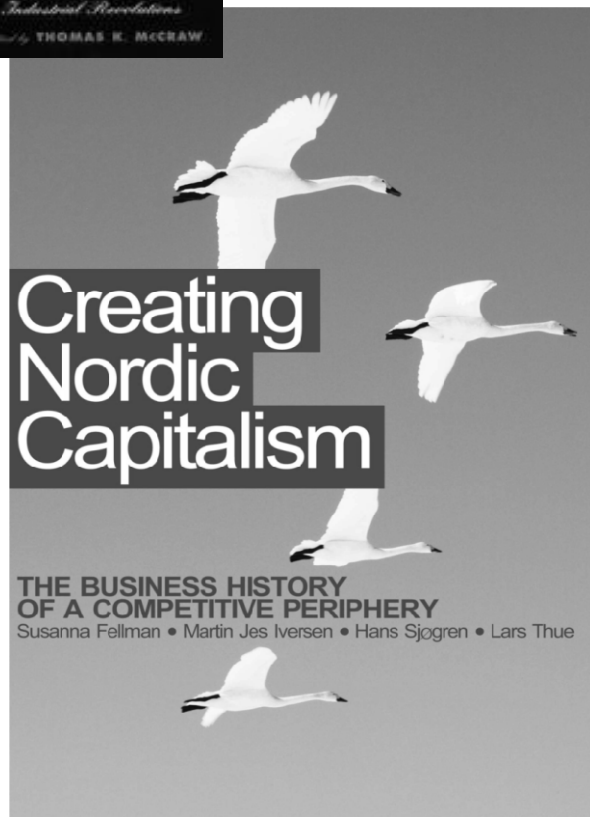
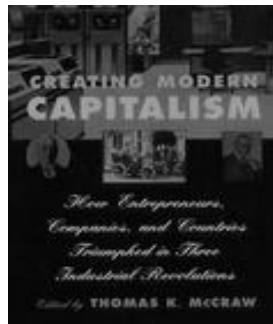
A new book project:  
Economic Orders  
and Formative Changes  
- Danish Capitalism, 1850s-2000s

Hitotsubashi University, May 28, 2010  
Martin Jes Iversen (Ph.D.), Associate Professor  
Copenhagen Business School

# Agenda

- Four common periods in Scandinavian capitalism
- Economic integration vs. economic sociology
- Formative phases and economic orders in Danish capitalism, 1850s-2000s
- Market changes and corporate strategies - the case of Denmark and Carlsberg
- Conclusion

# Creating Nordic Capitalism



Pan-Scandinavian textbook project

Editors:

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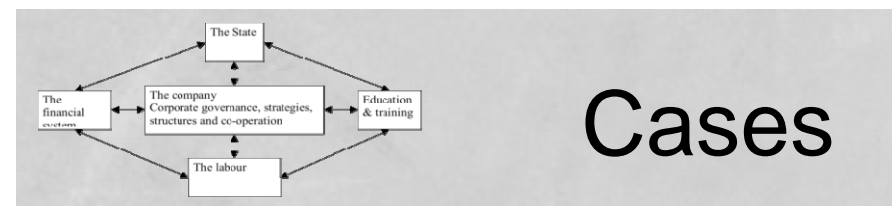
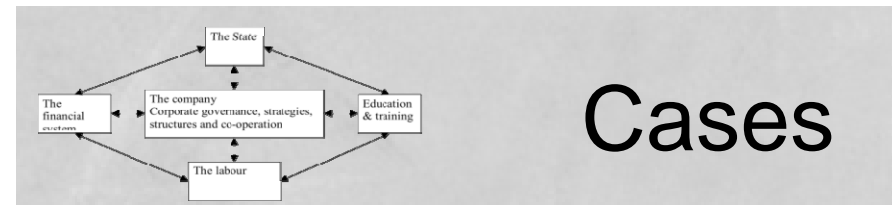
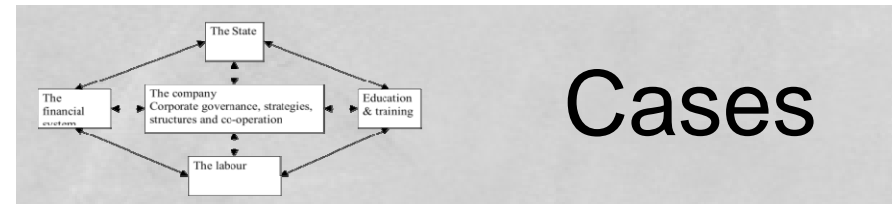
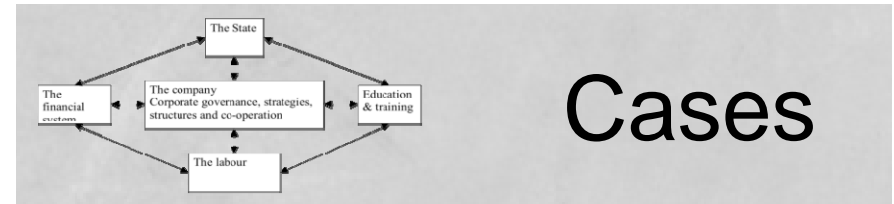
Lars Thue (BI Oslo)



# “Archeologist” metaphor: Defining layers of the past



The Danish princess Margrethe in 1962



# Four common phases of capitalism in Scandinavia

1980s-  
Market based capitalism

Economic integration, strong state  
emphasize on markets capitalism

1930s-1970s:  
Welfare capitalism

Triangle of welfare states, org. labour  
and industries, “mixed economies”

1890s-1920s:  
Organized capitalism

More active states, organized labour  
markets cartelization and export

1850s-1880s:  
Early liberal capitalism

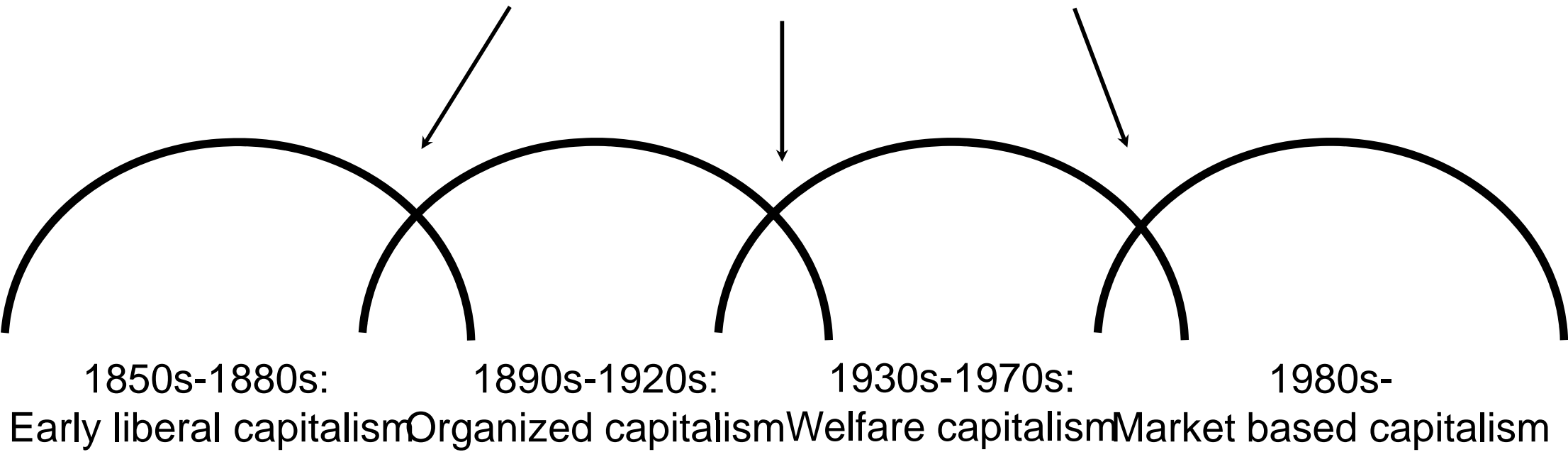
Weak states, liberal markets  
SMEs, economic periphery

Two fundamental problems with this conclusion:

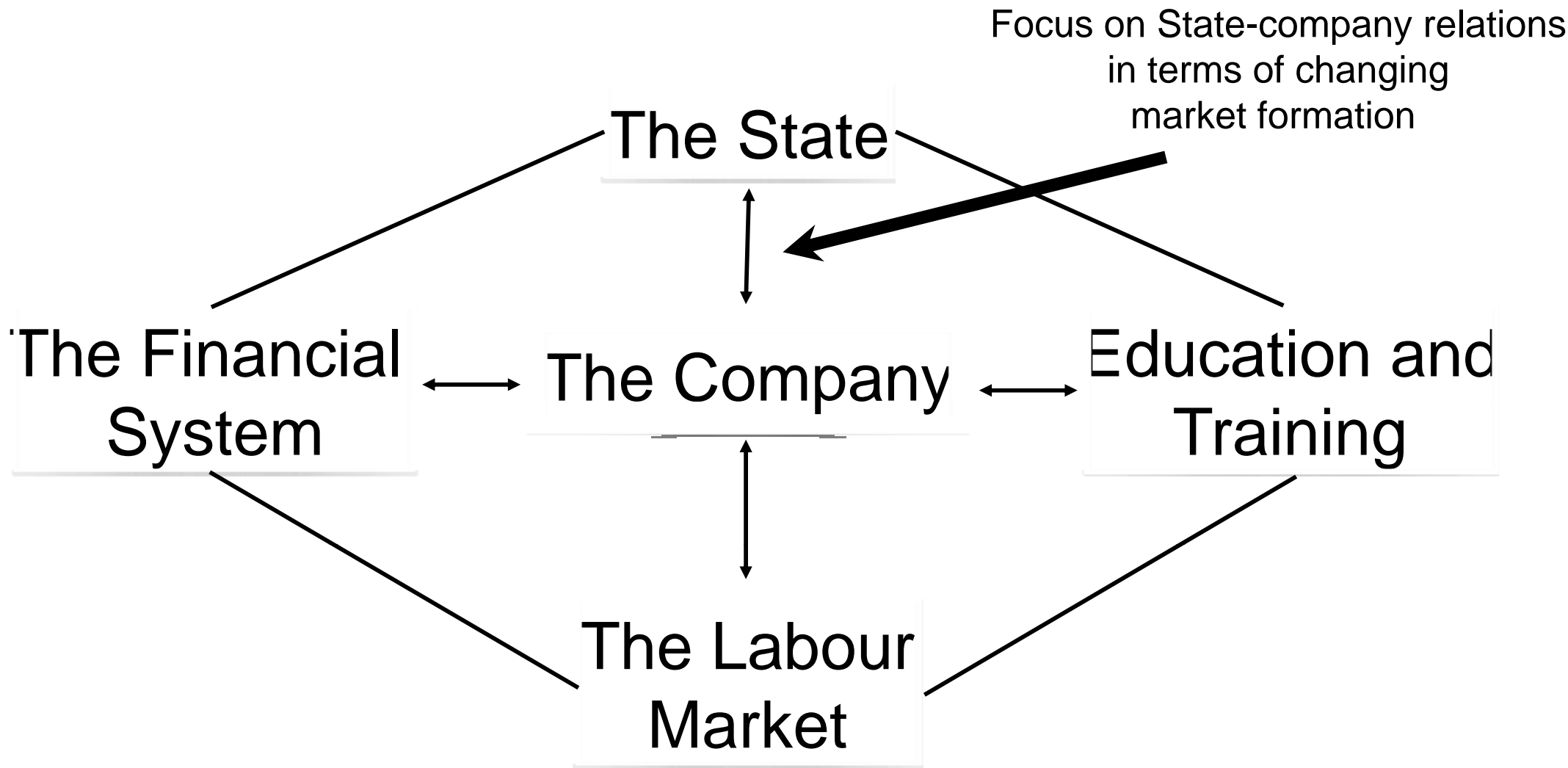
1) These phases do not explain change

2) These four phases reflect changes in most West European economies

Formative periods:  
“... internal  
and external pressures  
acting on the established economic  
structure”



# Formative phases in Scandinavian capitalism



# Market Formation Theory

## Competition vs. Regulation

### Economic Integration Theory

Point of departure in the rationality of market based economic transactions :

- Pelkmans (2006), Molle (2008)
- Market-based free movement of production factors permits competition and thus optimum allocation of labor and capital
- Rational consumers, entrepreneurs and investors will turn to more efficient markets, regions and companies.
- Preamble of the Treaty of Rome in 1957:
- “... resolved to ensure the economic and social progress of their countries by common action to eliminate the barriers which divide Europe.”

### Economic Sociology Theory

Competition as a fundamental “problem” for the continuous survival and stability of firms:

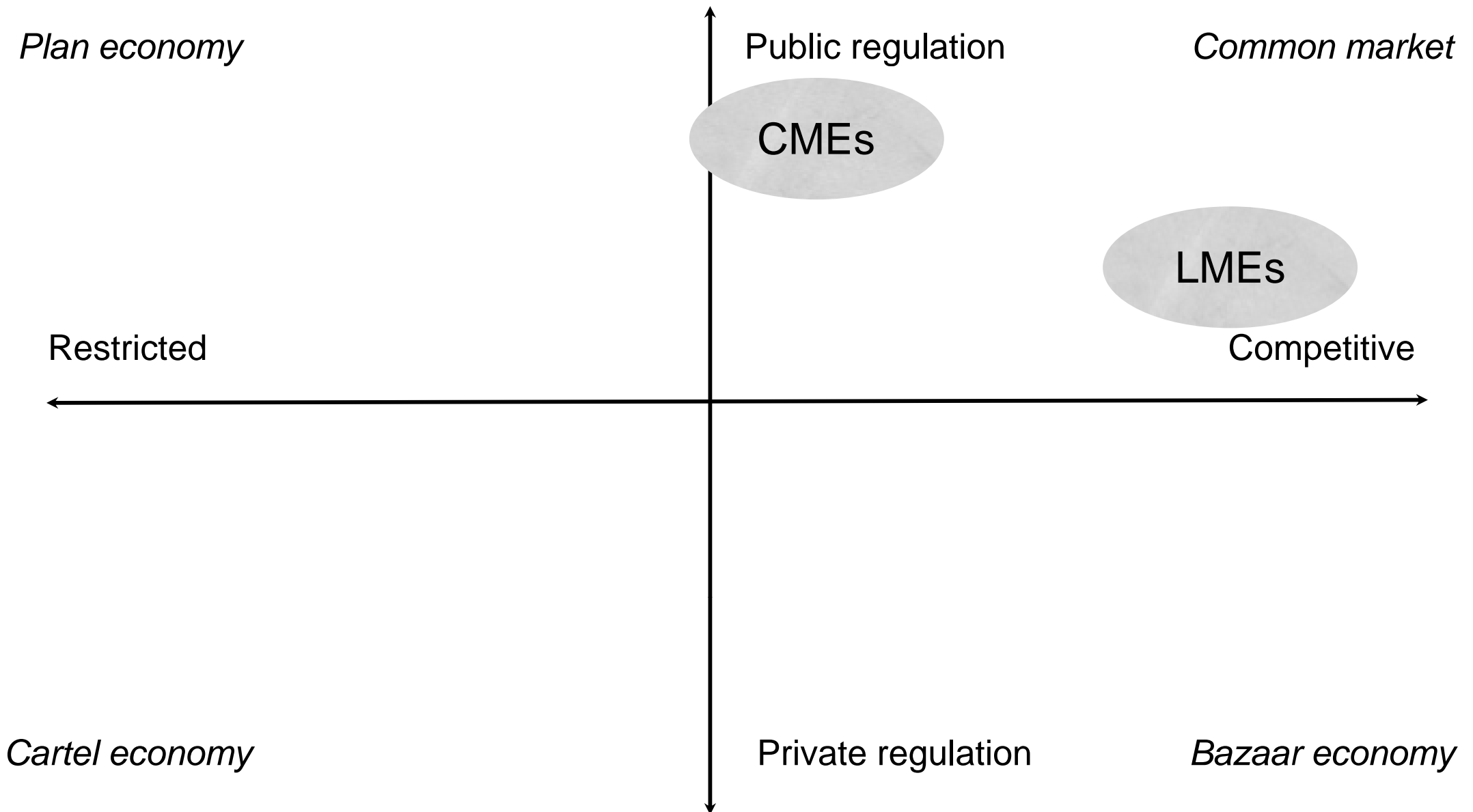
- Fligstein (2005/2008), Dauter (2007)
- “... competitive markets confront producers as problems to be solved, and they do so using strategies of cooperation, combination, and product differentiation.” (Dauter p. 33)
- Private or public competition regulation is thus regarded as basic foundations in any capitalist market.
- “Markets” are social systems characterized by structured exchange which need such rules and regulations in order to exist

# Combining economic integration and economic sociology

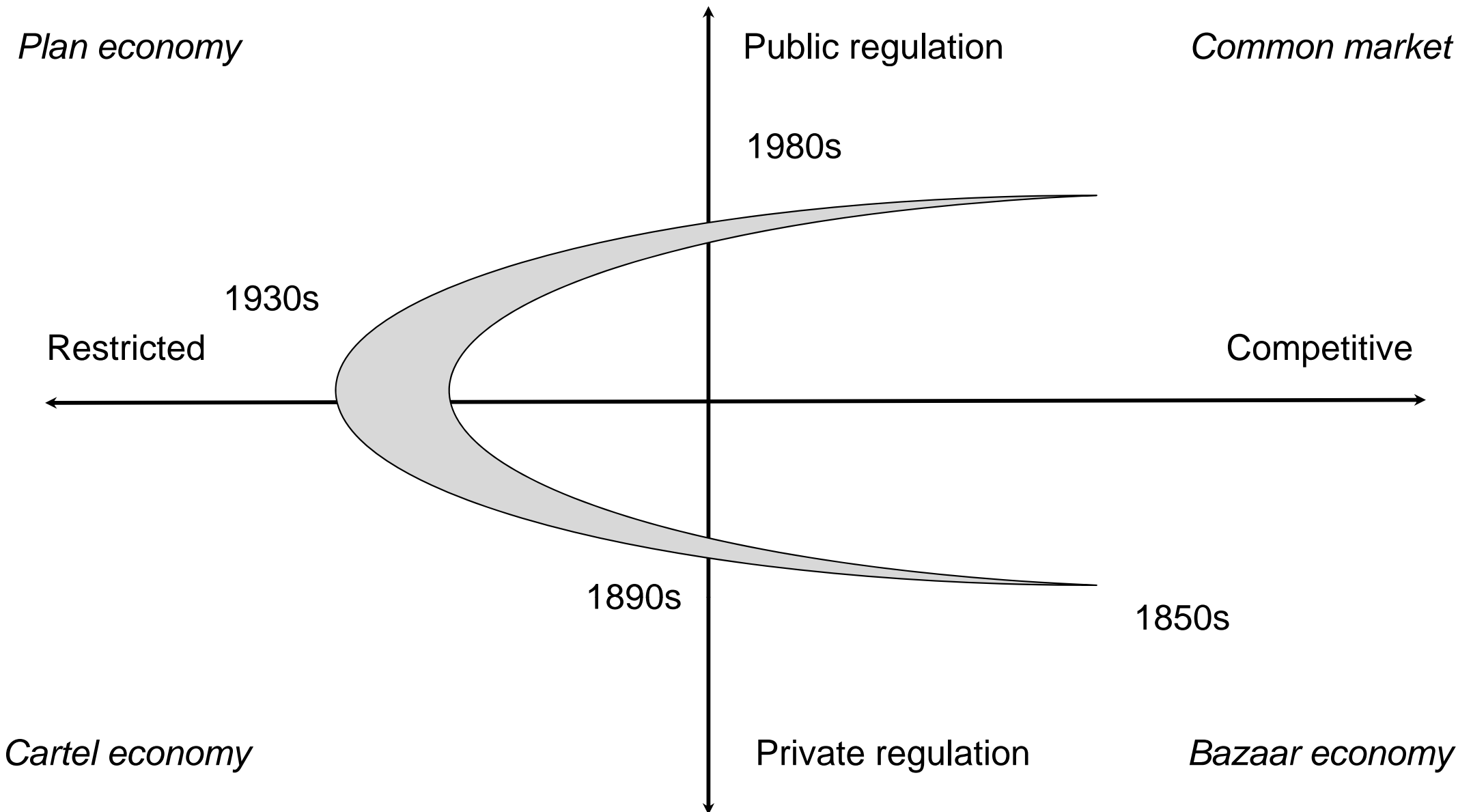
To bridge two contrasting market perceptions:

- 1) Integration economists recognize that positive integration (regulation) is a necessity already in the early "Balassa-stage"
- 2) Economic sociologists recognize that competition is essential to the studies of capitalism

# Market Formation: Competition and regulation



# Market Formation: Competition & regulation



Ideological dimension of democratic movement

Liberal Trade Acts:

- Norway (1839)
- Sweden (1848)
- Denmark (1857)
- Finland (1864)

Need for market order

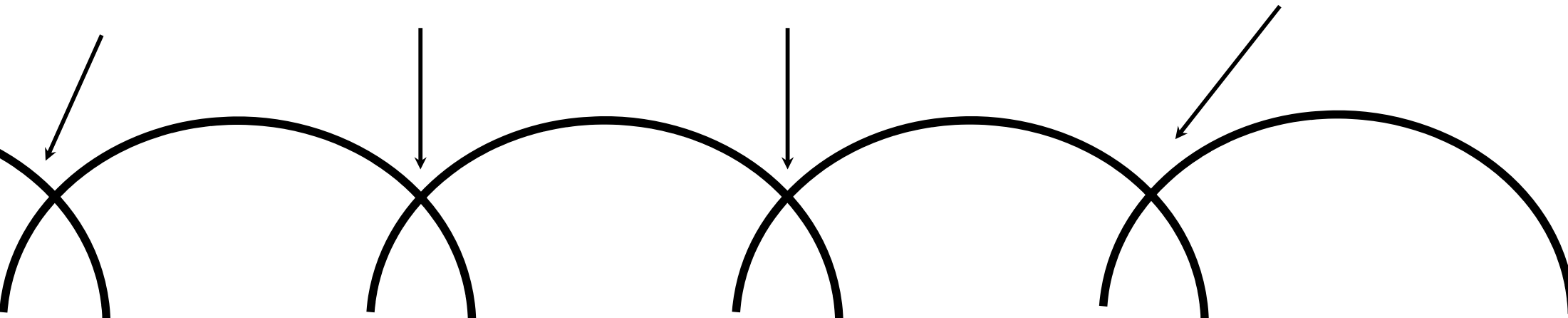
- 1) Cartels
- 2) More active states
- 3) Unions:
  - LO Sweden (1898)
  - LO Denmark (1898)
  - LO Norway (1899)
  - SAK Finland (1907)

Ideologically grounded response to The Great Depression

- 1) State regulation of markets
- 2) Social welfare policies
- 3) *National* left-right compromises:
  - Denmark (1933)
- 4) Social Democratic dominans:
  - Norway (1935-1965)
  - Sweden (1936-1976)

Ideologically grounded response to the 1970s crises:

- 1) Market based reforms
- 2) Economic integration
- 3) Opening of the economies
- 4) Right wing governments:
  - Norway (1981)
  - Denmark (1982)
  - Sweden (1991)



1850s-1880s:

Bazaar economy

1890s-1920s:

Cartelized economy

1930s-1970s:

Plan economy

1980s-

Common Market

**Important Danish industries controlled by one company or trust by 1908**

- The Sugar Industry
- The Bottle Glass Industry
- The Paper Industry
- The Cotton Mills
- The Breweries

FDI Stock, Outwards as % of GDP

	1982	1986	1992	1999	2008
Denmark	2,35	2,84	10,86	29,51	56,12
Finland	1,28	3,23	7,77	25,88	42,21
Norway	1,00	2,08	9,20	18,75	38,00
Sweden	5,41	11,45	18,25	41,33	66,41
Germany	6,12	7,71	8,65	19,29	39,73

# The changing market structure, Denmark 1850-2000


<p>Competition Laws</p>	<p>1857 Free Trade Act Prohibition of the guild system pure negative economic integration</p>	<p>1912 1st competition regulation proposal</p>	<p>1937 1st law against general price agreements including registration and publication of price agreements</p>	<p>1955 Monopoly Law Monopoly Council which registered all monopolies and approved prices</p>	<p>1989 Law on competition based on the control of efficient markets 1997 - EU changes</p>
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1850s

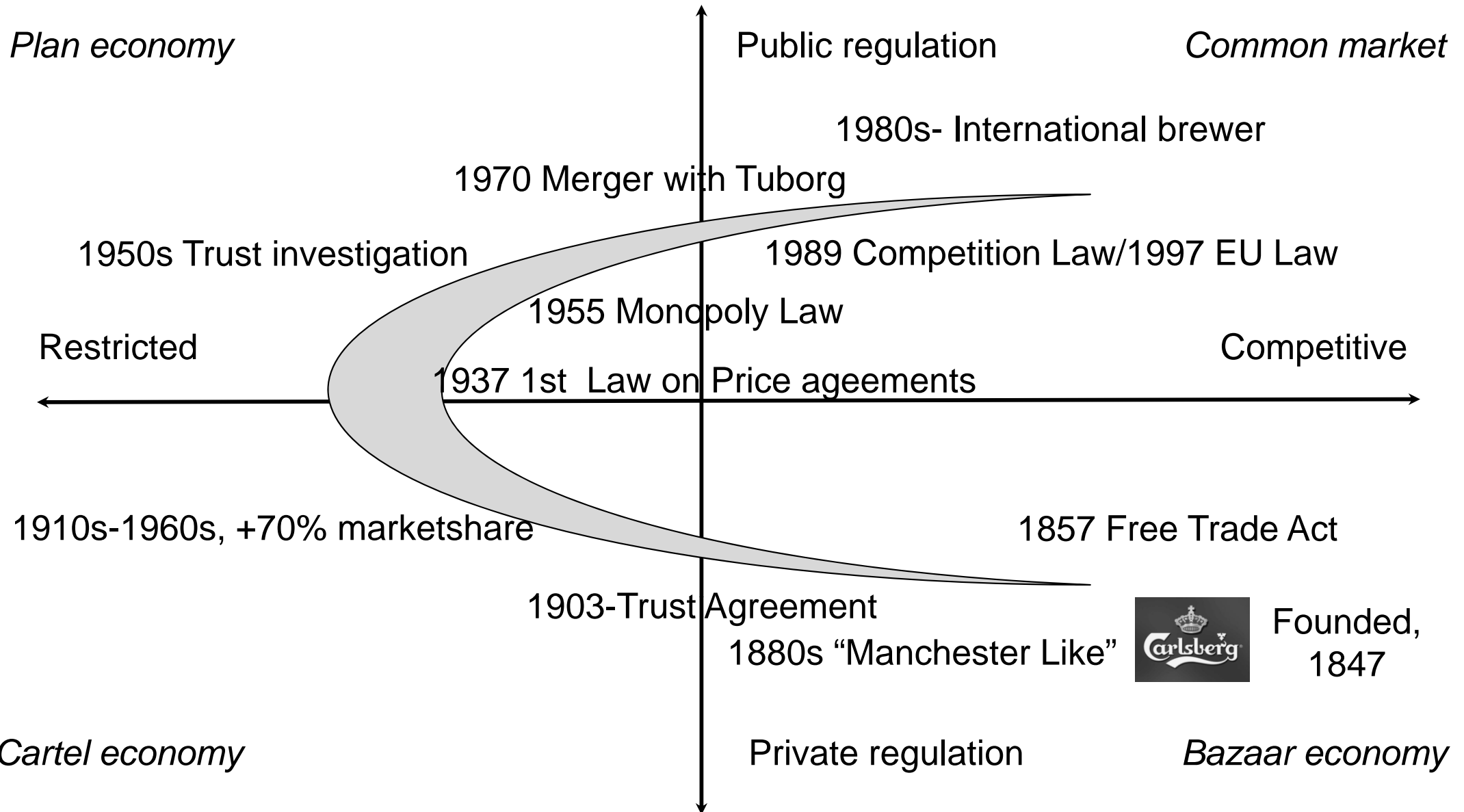
1890s

1930s

1980s

	<p>1847-1890s Expanding on the Danish beer market. 1st industrial brewer Loosing market shares but also early export</p>	<p>1903-1970 Trust agreement with the largest competitor "Tuborg". Constant + 70 % of the Danish market = monopoly-investigations Export breakthrough</p>	<p>1970-2000 Sales international: 1970: 24% 1980: 60% 2000: 90% 1988 Danish beer price cartel abolished (1899-1988)</p>
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# Market Formation: Competition & regulation



## Conclusion

The present nature of Scandinavian capitalism  
resulted from a long journey

Be careful with static perceptions like  
“Coordinated Market Economies”

# Market Formation: Competition & regulation

