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ECONOMIC ORDERS AND FORMATIVE PHASES: A BUSINESS HISTORICAL JOURNEY THROUGH DANISH CAPITALISM, 1850-2000

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Abstract

This paper concerns the long-term relation between market regulation and corporate strategies in Danish business history, 1850-2000. For decades business historians have analyzed internal strategic processes employed by multinational corporations. This paper aims to contribute to this "business history in international business" tradition but from a different analytical perspective.[1] Rather than focusing on changing corporate growth strategies the paper is focused on the corporate relations to the regulatory processes, which changed markets from restricted protectionism towards competitive conditions. We will follow the changing market formation in Danish capitalism from the early, private, competitive stage via the private regulation of the early 20th century and the public restricted capitalism of the mid 20th century towards the last phase of increasingly public regulated, economic integration after 1980. On this background I will analyze how – and to which extent - the corporate structure and growth strategies changed congruently with the changing phases of economic market formation.

Introduction

In the late 1980s Danish capitalism underwent a structural earthquake. The quake was caused by a remarkable change in the strategic nature and relative importance of the largest enterprises. A long-term database has illuminated how the annual GDP-Total Revenue relation (GDP/TR) of the 115 largest Danish corporations was relatively stable around 65 percent from 1975 to 1985. [2] Then at the end of the 1980s the GDP/TR jumped from 67% in 1986 to 84% in 1990. Similarly the total number of employees (in Denmark and abroad) of the 25 largest companies was relatively stable from 155.329 in 1973 to 190.925 in 1983 but then it doubled to 386.337 in 1993 and continued to

[1] For an overview of business history and international business research see Jones, Geoffrey: Bringing history back to international business, Journal of International Business, 2006 (37), p.

[2] See http://ilex.cbs.dk/corporatedk/CorporateDK/Welcome.asp,

grow to 814.312 employees in 2003.[3] In the early 1970s the largest Danish companies were traditional exporters with domestic production and a relatively low status in the global corporate hierarchy. At the turn of 1990s they had become truly globalized and for the first time to be found among European market leaders within important economic sectors such as the diary, office services, brewing, shipping, slaughter house and sustainable energy.[4]

A second dramatic turn on the economic Richter-scale occurred in the late 1980s. In 1986 the total Danish FDI was only equivalent to 2.8 percent of the GDP compared to 7.8 percent for West Germany and 4.2 percent for Italy.[5] Six years later, in 1992, the GDP/FDI relation had changed to 10.9 percent for Denmark, 8.6 for Germany and 5.6 for Italy and by 2002 the figures were respectively 49.8 for Denmark, 34.5 for Germany and 16 for Italy. Denmark had become a Small Open European Economy (SOEE), to use a terminology introduced by the American economic historian Joel Mokyr.[6] According to Mokyr Danish capitalism was (like capitalism in the other SOEEs Austria, Finland, Ireland, The Netherlands, Norway and Sweden) marked by a combination of efficient, stable democratic public institutions, a long-term insistence on liberal, open economic principles and finally the ability to define and exploit global niches. In a seminal article from 1983 Peter J. Katzenstein analysed how the Scandinavian states have succeed in developing a dual strategy combining open, international liberalisation with domestic corporatism and

[3] Iversen, Martin Jes, " Corporate responses to Institutional Change" in Schröter, Harm G. (ed.): The European Enterprise", Historical investigation into a Future Species, Springer Press 2008.

[4] Binda, Veronica and Iversen, Martin Jes: "*Towards a 'Managerial Revolution' in European Business? The Transformation of Danish and Spanish Big Business, 1973-2003,* , Business History, Special Edition, July 2007

[5] UNCTAD, 2006

[6] Mokyr, Joel, "Successful Small Open Economies and the Importance of Good Institutions" in Ojala, Jari (ed): "The Road to Prosperity: An Economic History of Finland", Helsinki, 2006

compensation.[7] He argued that the limited size of the domestic market violated the exploitation of economies of scale and therefore conditioned a historic emphasise on export. A specific small-state export strategy emerged in terms of 'high-valued-added products to fill the market niches particularly well suited to their traditional economic strengths and resource endowments'.[8]

Katzenstein and Mokyr pointed at important relations between liberal, open economies and the corporate capabilities to define and exploit global niches. Despite the importance of this relation this paper questions to which extent the Danish transition of the late 1980s built upon a *long-term insistence* on open, liberal principles. The trouble is that in sharp contrast to Katzensteins assessment from 1983, Danish economy and companies were relatively closed as recent as the mid 1980s.

This paper thus concerns the long-term relation between economic integration and corporate strategies in Danish business history, 1850-2000. For decades business historians have analyzed strategic processes employed by multinational corporations. This article aims to contribute to this "business history in international business" tradition but from a different analytical perspective.[9] Rather than the traditional "chandlerian" focus on changing internal corporate growth strategies the paper is focused on the corporate relations to the regulatory processes, which changed markets from restricted protectionism towards competitive conditions. In this way the article follows the "Varieties of Capitalism" research agenda proposed by David Hall and Peter Soskice.[10] Hall and Soskice´ key-message was that the company should be placed in the centre of the political-economic analysis. Surprisingly neglected by most observers the core of Hall and Soskice

[7] Katzenstein, Peter J.: "The Small European States in the International Economy: Economic Dependence and Corporatist Politics". In: Ruggie,, J. G. *The Antinomies of Interdependence.* New York: Columbia University Press, 1983

[8] Ibid., p. 97.

[9] For an overview of business history and international business research see Jones, Geoffrey: Bringing history back to international business, Journal of International Business, 2006 (37), p.

[10] Hall & Soskice: Varieties of Capitalism, 2001.

argumentation originated in a strategy-structure dictum. Hall and Soskice broke with the conventional assumption that the core structures of the economy (markets, hierarchies or networks), "… are erected by firms seeking the most efficient institutions for performing certain tasks. The postulate is that (institutional) structure follows (firm) strategy."[11] Instead the two political economists suggests that all companies were embedded in a specific variation of coordinating mechanisms (in terms of economic institutional structures) and these institutional structures offered a specific set of strategic opportunities. Explicitly stated in the 2001 Introduction, one of the most important implications of the VoC analysis was that the approach, "… predicts systematic differences in corporate strategy across nations, and differences that parallel the overarching institutional structures of the political economy."[12] In this way (institutional) structure conditions (corporate) strategy.

We will follow the changing market formation in Danish capitalism from the early, private, competitive stage via the private regulation of the early 20th century and the public restricted capitalism of the mid 20th century towards the last phase of increasingly public regulated, economic integration after 1980. On this background I will analyze how – and to which extent - the corporate structure and growth strategies changed congruently with the changing phases of economic integration.

2. Economic integration in business history: An analytical framework

The long-term relation between economic integration and corporate strategy is a highly complex issue. In order to handle this complexity the following section consists of a framework which aims to bridge some important insights from three different approaches to economic integration: Integration economics, economic sociology and business history. I define "economic integration" in accordance to Jan Tinbergens classic work from 1954 as an economic course aiming to enhance

[11] Ibid., p. 15.

[12] Ibid., p. 15.

competition through acts of negative and/or positive integration - that is respectively the removal of existing barriers to trade, and the introduction of new institutions for coordination of economic transactions.[13] The importance of economic integration in modern capitalist development is hardly disputed, but contrasting theoretic approaches can be identified - particularly between integration economics and economic sociology.

Integration economics is based on a neo-classical faith in the market system. [14] According to this line of thinking market-based free movement of production factors permits optimum allocation of labor and capital as rational consumers, entrepreneurs and investors will turn to more efficient markets, regions and companies. Enhanced competition caused by the free exchange of factors and goods thus promises a positive effect on *the prosperity of all concerned*.[15] This logic was also present in Preamble of the Treaty of Rome in 1957, as the treaty was "… resolved to ensure the economic and social progress of their countries by common action to eliminate the barriers which divide Europe."[16] One of the most important debates among integration economists concerns the importance of respectively negative and positive integration. In a recent general introduction the Dutch economist Willem Molle described "market integration" in the following way: [17]

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[13] Tinbergen, Jan: International Economic Integration, Elsevier, 1954.

[14] Neo-classical tradition refers to economists who at the end of the 19th century developed theories of economic growth based on rational actors and market principles.

[15] Molle, p. 4.

[16] Treaty Establishing the European Community, as Amended by Subsequent Treaties, Rome, 25 March 1957. Preamble, p. 1.

[17] Molle, Wilhelm: The Economics of European Integration, theory, practice, policy, Ashgate, 2006, p. 9-10. Molle continued to state that such smooth, negative integration (pure de-regulation combined with market corrections) "… is not the case in modern economies where the government frequently intervenes in the economy". Economic sociologists argues that the governmental rules and regulations *defines* markets rather than *intervenes* in smooth self-sufficient market based economy.

Market integration can proceed without much demand on institutions and policy making. The taking away of barriers can in general be easily and clearly defined, and once laid down in treaties is binding on governments, companies and private persons. There is little need for a permanent regulatory and decision-making machinery.

In fact the approach of smooth negative integration contrasted to the empirical findings of research connected to the famous “Balassa-stages”. In a seminal book from 1961 Bela Balassa divided economic integration in five stages: Free Trade Area, Customs Union, Common Market, Economic Union and Total Economic Integration. [18] These stages have since been widely applied in trade theory, and scholars have recognized that Balassa´s original definitions underestimated the need for positive integration in relation to the initial stages: Free Trade Area and Customs Union.[19] Historical-empirical analyses have thus emphasized how even the initial market integration stages required common supportive political-economic institutions – not only to correct markets rather than to define markets. To summarize the key concept in integration economy is “competition”, and based on the insights of the economists the horizontal parameter in analytical framework of this article reflects that increasing competition equals increasing economic integration (see figure one).

Economic-sociologists do not dispute that competition is essential in the analysis of economic integration. At the same time they do not accept the logic that market-based, open competition is in the interest of rational economic actors whom will make predictive choices causing general welfare.[20] In contrast Neil Fligstein and others have described competition as a fundamental

[18] Balassa, Bela, The Theory of Economic integration, Irwin Homewood, 1961.

[19] Laffan, Brigid, O´Donnel´, Rory; Smith, Michael: Europe´s Experimental Union, rethinking integration. See discussion on the debate of positive integration concerning the Balassa stages p. 102-105.

[20] See for instance Fligstein, Neil and Dauter, Luke, “The Sociology of Markets” in *The Annual Review of Sociology,* 33:p.,1-24, 2007 and Fligstein, Neil; The Architecture of Markets, an economic sociology of twenty-first-century

"problem" for the continuous survival and stability of firms: "… competitive markets confront producers as problems to be solved, and they do so using strategies of cooperation, combination, and product differentiation."[21] Private or public competition regulation is thus regarded as basic foundations in any capitalist market – foundations critical to the shape of corporate growth strategies and organizational structures.[22] In the case of free trade and open competition private actors will set up their own rules and regulations in order to escape from the destructive, instable competitiveness which always endangers large investments. At the same time they will pressure the states to introduce formal recognized institutional settings. Fligstein has defined "markets" as social systems characterized by structured exchange which need such rules and regulations in order to exist.[23] In any capitalist economy at any time we can, according to this line of thinking, identify a specific, social "market architecture" including regulation which address *property rights*, *governance structures* and *rules of exchange*.[24] Property rights defines who has claim on the profits of the firm including relations between different stakeholders, governance structures refer to rules that define relations of competition and cooperation, while rules of exchange defines whom can trade with whom under which conditions. To summarize the economic-sociological

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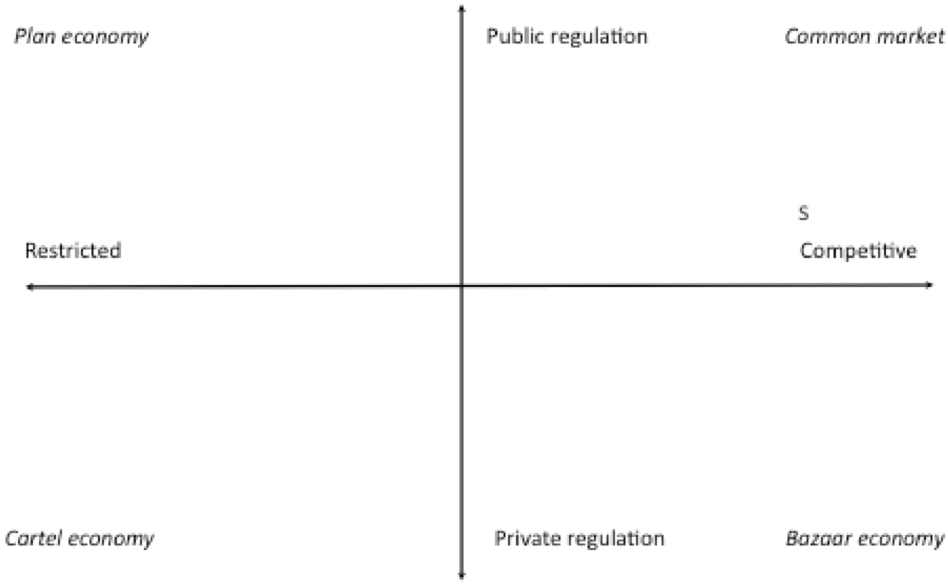
capitalist societies", Princeton, 2001 and Granovetter, Mark, "Economic action and social structures: the problem of embeddedness, in *American Journal of Sociology,* 91:481-510, 1985.

[21] Fligstein, Neil and Dauter, Luke, "The Sociology of Markets" in *The Annual Review of Sociology,* 33:p.,1-24, 2007

[22] For the integration-economic approach see for instance Jacques Pelkmans: *European Integration, Methods and Economic Analysis*, Pearson, 2006, pp. 5-12 and Molle, Wilhelm: The Economics of European Integration, theory, practice, policy, Ashgate, 2006, p. 9-10.

[23]Fligstein, Neil; The Architecture of Markets, an economic sociology of twenty-first-century capitalist societies", Princeton, 2001 , p. 30

[24] Neil Fligstein, *The Architecture of markets*, Princeton University Press, 2001 , p. 32-33. while rules of exchange define who can transact with whom and the conditions for trade. Fligstein also includes conceptions of control in his market architecture but they are excluded in this concrete analysis of economic integration as it is a meta category reflecting perceptions about how the market should function.



approach to economic integration recognize the importance of *competition* but the fundamental principle is *regulation*. Regulation is included in the framework of this article as the vertical factor. The contrast on this vertical line is not between the regulated versus the de-regulated market rather than between a market architecture regulated by private vs. public actors. This distinction reflects a concrete ascertainment of which key-actors defined the market structure (property rights and governance structures): public governmental actors or private entrepreneurs and investors? The distinction does not reflect a motivational analysis as known from the regulation theory on “public interests” vs. “private interests”. [25]

[25] See for instance Stigler, George J., *The Theory of Public Regulation,* 1971 and Burgess, Giles H., *Antitrust and Regulation,* 1992. This theoretic distinction has proven difficult to translate into complex historical reality as regulatory processes often are mixtures of private and public interests - in many cases private actors would have an interest in more public regulation – for instance with small businesses interests in anti-trust laws. As the historian Per H. Hansen has emphasized in an article on Danish banking regulation, “…it is not always obvious where public interests stops and private interests begins”. Hansen, Per H.: “Bank Regulation in Denmark from 1880 to World War Two: Public Interests and Private Interests” in *Business History,* vol. 43, no. 1 (January 2001), pp. 43-68.

Figure 1: Analytical framework of economic integration

Figure 1: Analytical framework of the relation between level of competition and level of regulation

Figure 1 illustrates the horizontal level of competition and the vertical level of regulation. The *process* of economic integration can be regarded as any rightward movement that is from restricted towards competitive markets. The framework leads to four broad market-categories: In the low right the competitive, private regulated “bazaar” category, low left, the privately regulated and restricted “cartelization” category and above left the state regulated, restricted “plan-economy” category and finally above right the competitive, public regulated “common market” category. In his book “The New Deal and the Problem of Monopoly” from 1966 Ellis Hawley discussed American competition policy of the mid-1930s. According to Hawley there were three ideological positions in the US during The Great Depression:[26]

> The first was a cartelized economy controlled by business. The second was a collectivist democracy where the state would aid in planning the economy to the benefit of all. The third was the competitive ideal, where the pursuit of individual self interests would result in the greatest good for the greatest number.

These three ideological positions reflect the categories of figure 1 – excluding the instable “bazaar” category. These are ideological-economic categories which have existed at least since the

[26] Hawley, Ellis: The New Deal and the Problem of Monopoly, Princeton Press, 1966, p. 35-36. Cited from Neil Fligstein, 1990.

foundation of capitalism in the mid 19th century. This ascertainment leads to the importance of business history in this analytical framework. In his book entitled “Multinationals and Global Capitalism” from 2005 Geoffrey Jones divided the global process of increasing economic integration in three broad periods.[27] The first global economy from the 1880s was characterized as a time when “liberal policies took hold in many countries as governments withdrew from economic activities”.[28] According to Jones the liberal era was challenged after 1914 when “numerous international cartel agreements were formed … as firms sought to maintain prices in conditions of overcapacity”.[29] The “disintegration” of the world economy in the interwar period was marked by national protectionism and barriers to trade. Despite the integration initiatives which followed the Marshall help and the West European regional integration then the broad disintegration of the world economy continued until around 1980. Jones rounds of the phases of integration by the period after 1980 when global trade intensified congruently with transnational market integration and the widespread policies of privatization. In relation to the analytical framework of this article Jones´ three phases – the first global economy (1880-1929), the disintegration (1930-1980) and the new global economy (1979-) reflects a C-shaped movement from the early competitive, private regulated capitalism of the 1880s via the cartelized capitalism of the 1910s and 1920s to the public regulated-protectionist capitalism of the mid 20th century

[27] Jones, Geoffrey: Multinationals and Global Capitalism, from the Nineteenth to the Twenty-first Century, Oxford University POress, 2005.

[28] Ibid. p. 20.

[29] Ibid. p. 28.

and finally the last era of globalization when “governments did not withdraw from the market for capital flows in the way they had before 1914” (see figure 2).[30]

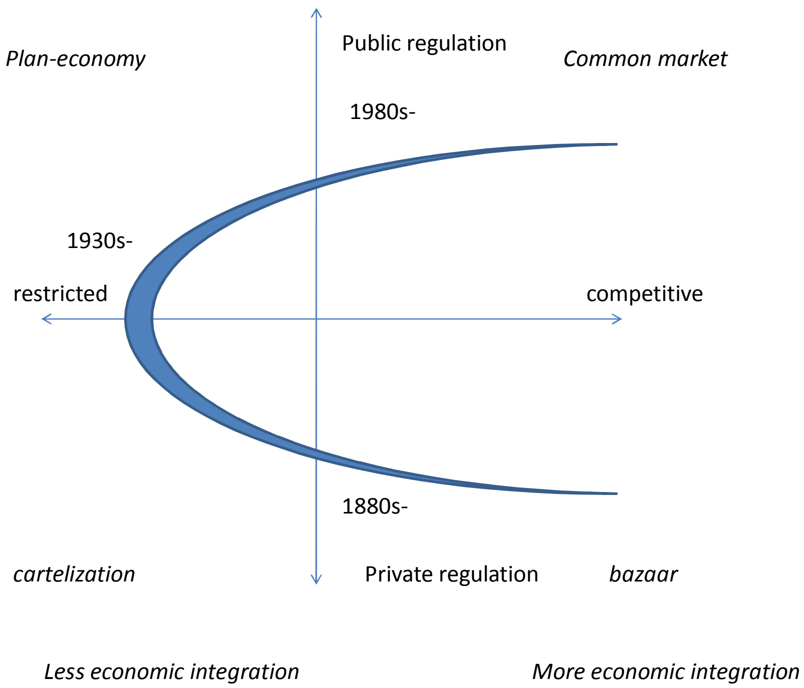


Figure 2: The analytical framework of economic integration including economic phases

The most controversial aspect in the chronology of figure 2 is probably the increasing public regulation in the economic integration movement after 1980. Jones actually pointed at negative integration in his characteristics of the second globalization stating that deeper levels of economic integration were made possible by “a worldwide trend towards tariff reduction and privatization”.[31] This framework on the other hand is based on a different assumption namely that

[30] Ibid. p. 29.

[31] Ibid. p. 35.

the increasing economic integration after 1980 was based upon “re-regulation” rather than “de-regulation”. The increased global trade, investment flow and labor exchange after 1980 was in other words based upon a complex web of new agreements, standards, laws and regulations. In the book Globalization and Institutions from 2003 Marie-Laure Djelic and Sigrid Quack made an interesting distinction between the late 19th century globalization which they characterize by relatively ad hoc, isolated and case by case mechanisms – reflecting friendships, embedded trust and family links. In the period after 1980 the two authors in contrast have found evidence “of increasing formalization, structuration, codification, standardization and depersonalization of the rules of game …”[32]

The analytical model in figure 2 simplifies a complex development and it does not inform much about reasons for changes and dynamics of capitalism. On the other hand the fundamental presumption behind this article is that economic integration in its *own right* has been one of the most important sources for capitalist dynamics – both on the local, regional, national and trans-national levels. The model will function as a “road-map” in the analysis of Danish capitalism which follows the four chronological phases scheduled in figure 2 with emphasize on the relationship between corporate growth strategies and the changing market systems in terms of altered property rights, governance structures and rules of exchange.

3. Denmark and the transition from bazaar economy to national cartelization

[32] Djelic, Marie-Laure & Quack, Sigrid, *Globalization and Institutions, Redefining the Rules of the Economic Game,* Edward Elgar, 2003.

Property rights in early Danish capitalism

The Trade Act of December 1857 is probably one of the most radical examples of negative economic integration in Danish business history. The Act, which was enforced in 1862, abolished the old guild system and the municipals charter system and confirmed the license to trade system. As unveiled below the changes lacked elements of positive integration. Only very few market rules and regulations followed the 1857 act, which reflected the strong liberalistic movements of a time when the political-economic order changed from mercantilism to liberalism.

Table 1. Danish Company Acts, 1810-1930

Year	**The Act**	**The corporate governance conditions**
1810	Regulation of May 15 1810	Royal *charter or concession* a necessary condition for incorporation From the 1830s possible to formulate own by-laws and distinguish between anonymous (ltd. liability) and personal companies. From 1849 no entrusting of monopolies, only concessions by law
1862	Commercial Register Act (Firmaregisteret)	The public *notification* a necessary condition including: 1) Name, address and trade 2) Name of the persons authorized to sign on behalf of the company 3) One copy of the by-laws
1889	Trade Register Act (Handelsregisteret)	Notification of anonymous ltd. liability companies to the Trade Reg. after the founding of the company Information about size of share capital but notification only required for companies within trade, crafts and manufacturing.
1917	The Act of Danish Register of Companies (Aktieselskabsreg.loven)	All limited liability corporations required registered at least four months after the founding. Information about the size and sources of share capital. Control of the information in the registration by the public register.
1930	The Act of Danish Register of Companies of 1930	All limited liability companies registered Information controlled by the public register. Managers and a majority of the board should have residence in Denmark, be Danish citizenship or have at least two years residence (five years for the board members). General assembly to be held in Denmark. Detailed regulations concerning procedures in relation to changes of by-laws, share capital, board/management relation etc.

Sources: Dübeck, Inger: Aktieselskabernes Retshistorie, Jurist- og Økonomforbundets Forlag, 1991; Friis Hansen, Søren: Hist, hvor vejen slår en bugt – om hjemstedsbegrebet i dansk og europæiske selskabsret, Juridiske Emner, SDU, 2005

Property rights are rules that define, who has claims on profits including relation between owners and management and the most important regulatory institution for this relation was the changing company acts. From 1810 any legal Danish company needed a royal privilege or concession.[33] This old procedures were in sharp contrast to the liberal movements and the § 92 of the democratic constitution in 1849 laid down the right to establish a society without preceding permission. This change from *preceding* privileges to *subsequent* registrations can be regarded as one of the most dramatic economic integration processes in relation to property rights. De facto the central administration followed a liberal policy already from around 1840 but formally the first corporate law came only in 1862 according to which corporations could be made legal (including limited personal liability) only by a subsequent registration of name, address, trade and a copy of the by-laws.[34] It is worth noting that the initiative to this law was taken by a private wholesaler association in Copenhagen, "Grosserersocietetets Komité", which in April 1859 suggested a corporate register as the de facto neglecting of privileges meant that the making of new corporations was "completely uncontrolled". From 1862 to the new corporate law of 1889 almost 500 Danish ltd. liability corporations were registered.[35] This group included both older companies, that used the opportunity for ltd. liability and new companies resulting from large mergers. Most notably were the mergers initiated by C.F. Tietgen, the managing director of the universal bank, Privatbanken, which lead to some of the largest Danish companies including the shipyard B&W, which constructed the worlds first diesel driven ship, The great Northern Telegraph Company which connected Northern Europe and South East Asia and the shipping Company DFDS, which created a monopoly on the important domestic shipping routes, the Danish Sugar factories which limited completion and the telephone company KTAS, controlling all telephone operations in

[33] Dübeck,, p. 36-37.

[34] Concerning the de-facto liberal conditions from the 1840s see Henningsen, Sven: "Studier over den økonomiske liberalismens gennembrud i Danmark, Landhaandværket, 1944

[35] Dübeck, p. 57.

Copenhagen.[36] These new ltd. liability companies were of large importance to the modernization of Denmark and in the 1870s in was debated whether the liberal and imprecise Danish corporate law could handle the founding and expansion of these large enterprises. In an article from May 25, 1875 by the young lawyer Niels Lassen stated on the front page of the Daily newspaper Dagbladet that no other countries was a poorly prepared against fraud as Denmark.[37] The main problem was, according to Lassen, that it was impossible for the public in general and the investors in particular to control the board of directors and the daily management who could manipulate both the share rates and the inner value. The debate continued among in the parliament but the liberal forces were strong - most important reason for the new corporate law in 1889 was a wish to coordinated the Nordic corporate laws. The extremely liberal conditions continued unaltered and in the 1890s and 1900s the public debate concerning fraud and lack of corporate control continued. The initial proposal for a real ltd. liability law (aktieselskabslov) was made by a government appointed committee in 1901, and one the most important changes was that the authorizes no longer only should register the corporations but also investigate to which extent the statements were correct. A banking crisis around 1908 enforced the public debate and the legal professor Carl Torp who stated that a new law was necessary as it not only would counterforce the most flagrant examples of fraud but also contribute to the a higher morale among the businessmen. Six proposals were made after 1910 and the heated debate continued. The chairman of the Federation of Danish Industries, Alexander Foss warned against a restrictive law which attempted to solve “moral issues” rather than economic circumstances – and Foss was in 1917 delighted to see that the final law would function “as a codification of the normal rules of a healthy development on a liberal

[36] Lange, Ole, Stormogulen, Tietgen og hans tid, Gyldendal, 2008.

[37] Dagbladet, May 25, 1875 citation from Dübeck, Inger.

basis …”.[38] In 1920 the largest bank Danish bank, Landmandsbanken, went bankrupt and corporate scandals and fraud was once on the public agenda. A public committee took initiatives for a more restrictive corporate law in the mid 1920s but it was only when the Federation of Danish Industries and the Chambers of commerce got involved that a new law was decided upon. The 1930 law combined more detailed accounting control of the ltd. liability corporations, including the requirement of annual reports, with national protectionism in terms of requirements of Danish citizenship in the management and board (see table 1).

The governance structure in early Danish capitalism

Early Danish corporate laws in the second half of the 19th century were exceptional liberal based solely registration rather than the usual international practice of public approval. This extremely liberal nature of early Danish capitalism was mirrored in the few public initiatives attempting to regulate competition.

Table 2. Public Danish competition regulation, 1857-1937

Year	Name	Content
1857-1920	Trade protection zones around borough towns	Restrictions in craftsman trades in a one mile zone around the old privileged royal borough towns
1873	Law on changes in trade protection	Liberalization of the above restrictions
1894	Law against incorrect designation of goods	Prohibiting incorrect designations concerning goods´ origin, content, manufacturing methods and prizes or patents
1908	Shops act on opening hours	Shops to be closed at 8 PM on weekdays and 11 PM on Saturdays (from 1904 holidays closed)
1912	Retail law against disloyal competition	Law prohibiting gift coupon systems in retail
1914-1919	The August war laws	Price, production and import regulation
1927	Law on protection of freedom of trade and organizations	Limited law protecting the individual right to establish a trade or join an organization
1930	The IPU London resolution concerning the need for registration of trusts and cartels	The Danish political parties agreed to affiliate to a resolution of The Inter-Parliamentary Union which acknowledged trusts and cartels as natural economic phenomena, but recommended registration
1931	Law on price agreements	Law concerning the registration and control of price-

[38] Dübeck, Inger, p. 129

		agreements, a panel consisting of three judges could judge on apparently unfair consumer goods prices
1937	2nd Law on price agreements	Law against general price agreements which limited competition including registration and publication of price agreements and the establishment of a new price control board which could investigate private competition circumstances

Sources: Boje, Per, Marked, erhvervsliv og stat(2003), Dübeck, Inger, Aktieselskabernes Retshistorie, 1991, Dybdahl, Vagn: Den illoyale konkurrence – Begrebets opståen, 1951.

As table 2 illustrates the competition conditions were not regulated by the Danish state in the early decades of capitalism.[39] Regarded in an international perspective it was rather unique that Denmark got its first real public control-based law against price regulation and cartels as late as 1937. It is well known that the American antitrust laws emerged already with the Sherman Act of 1890, Canada introduced the Combines Investigation Act in 1923, France its competition provisions in 1926, and in Norway a provisional Price act was introduced already in 1920 and a real Trust Act intended to control prices and cartels decided upon in 1926.[40] Public Danish competition regulation came late, but the lateness cannot be explained by a lack of need as *private* competition regulation was full-fledged and emerged at an early stage. As mentioned above the first wave of Danish trusts and cartels emerged in the 1870s initiated by C.F. Tietgen managing director of the universal bank, Privatbanken. Tietgen was in the centre of a sophisticated business network focused on the utilization of new technologies, the limitation of competition and vertical integration.[41] But Tietgens initiative also included mergers with the clear intention to private regulate and limit competition: In respectively 1866 and 1872 he mediated the largest Danish mergers of De Forenede danske Dampskibs rederier (DFDS, The united steamship company) and

[39] One limited exception was the 1 and 1½ mile trade protection zones around the old royal borough towns, which was a remaining aspect of the old priviligie economy. These zones only concerning specific trades and were liberalized by a new law in 1873.

[40] Thue, Lars: Norway: ressource-based democratic capitalism, Palgrave-Macmillan, 2008

[41] Lange, Ole, Stormogulen, Gyldendal, 2007.

De Danske Sukkerfabrikker (DDS, The Danish Sugar Factories), and in 1883 Tietgen facilitated the foundation of a paper price cartel, which in 1889 led to the formation of the trust like corporation De forenede Papirfabrikker. As the economic historian Willerslev noted in 1952, "… important parts of our industry [were given] a trust-like character before trusts and cartels played any important role in the economic structure of other countries." And private Danish competition regulation accelerated in the 1890s.

***Table 3.* - Important Danish mergers around the 1890s**

1889	United Paper Mills (De Forenede Papirfabrikker)
1890	United Breweries (De forenede Bryggerier)
1895	The Copenhagen Timber Compagni (Trækompagniet i København)
1895	United Malt Factories (De Forenede Maltfabrikker)
1896	United Soap Factories (De forenede Sæbefabrikker)
1896	The Soda Factories (Sodafabrikkerne)
1897	United Constuctional Joineries (De forenede Bygningssnedkerier A/S)
1897	United Coffee Roasters (De forenede Kaffebrænderier A/S)
1897	The Danish Steam Mills (De danske Dampmøller A/S)
1897/1902	Danish Sulphur and Phophates Producers (Dansk Svovlsyre- og Superphosphat-fabrik)
1899	Silvan
1901	United Canneries (De forenede Conservesfabrikker A/S)

Source: Iversen, Martin Jes and Andersen, Steen: Cooperative Liberalism: Denmark 1857-2007, 2008

Table 3 illustrates some of the most important Danish mergers in the 1890s, which led to companies entitled "The United …" or "The Danish…". As the competition conditions were publicly unregulated there is no official overview of the extent of cartelization. But in 1908 the author of the Industrial Review, Jak, Kr. Lindberg made a survey which remarkably concluded that following six industries were controlled by one single company or trust: The sugar industry, the bottle-glass industry, the paper industry, the cotton mills, the sulphuric acid works and the breweries. Other important markets were controlled by price and marketing agreements the markets of rye bread, distilleries, tileworks, cement works, match factories, chocolate, tobacco and margarine .[42] In

[42] Dansk Industriberetning 1908, 1909, p. 114-115, citation from Hyldtoft, Ole, Dansk Økonomisk Historie, 1840-1910, 1997.

short the most important Danish industries were severely cartelized by the early 20th century. This wide-spread use of private price-cartels was debated in the public and among politicians. In the late 19th century most debates concerned how to avoid the unhealthy consequences of “unfair competition”. In other words how public, or private interests, could limit competition.[43] In the early 20th century the nature of the debate gradually changed as politicians, particularly from the socialist party and the social-liberal party, questioned the liberalistic economic order in general and the trust like private market regulation in particular. In 1912 the Danish Social Democrats for the first time suggested a possible public expropriation of the private Danish Sugar factories. As the historian Per Boje has pinpointed the timing coincided with the trust decisions against Standard Oil and American Tobacco Company in the USA and the Swedish appointment of a committee investigating trusts and cartels – a similar committee followed in Norway in 1913. The proposal did not receive much support from the conservative and liberal parties, and the debate changed its nature from 1914 to 1918 when the Danish war-economy was severely regulated by the state – in close co-operation with the industrial, and agricultural organizations. The war conditions caused a broad consensus behind this regulatory regime, but following the war, in 1919 and 1920, a hard, ideological debate concerning the future economic order of the country appeared. On the one side the social democrats suggested that the Danish state should take-over the ownership of several “monopoly-like corporations with in the manufacturing of sugar, oil, paper, matches, leather, fertilizer, cement, salt, spirits, beer and import of coal”.[44] On the other

[43] The most active lobbyists were the small retailers which felt they were under pressure from growing stores and new marketing methods such as coupon systems and various types of sales (fire sales, summer sales etc.). Competition within the retail sector became regulated by the Danish state with the closing hours regulation in 1908 and the irregular competition law in 1912- see table 2.

[44] Boje, Per, 2004, p. 45.

hand the large industries and the conservative and liberal party resisted this development arguing for a "return" to the old, liberalistic order. As Arnold Fraenkel from the conservative party stated in the parliamentary debate in spring of 1918 he wanted an investigation that included the economic, technical and social *advantages* of the present concentrated corporations, as he was standing on the "capitalist foundation" resisting to live in the "slavery" of a socialist state. A Danish trust law was prepared by the parliament in 1920 but it never passed through the conservatively dominated second chamber (Landsting), and throughout the 1920s the debate continued and both the social-liberal party and the social democrats in vain re-suggested the public regulation scheme almost every year. It is remarkable that the first Danish law against private price regulation only appeared after the politicians had signed a "soft" Inter-Parliamentary conference convention in London in 1930 recognizing the need for registration of trusts and cartels. This convention was explicitly used as a reason for a Danish law which in 1931 introduced the registration of private price regulation. With the severe economic crisis of the 1930s the liberalistic economic order gradually lost its dominant position, and finally in 1937 a real *controlling* trust law was decided upon – 17 years after the formulation of the first proposal and after three decades of political and public debates.

Rules of exchange in early Danish capitalism

Both the property rights and governance structures were thus marked by a liberalistic order in early Danish capitalism and the third component in the market structure, rules of exchange, reflected this.

Table 4. Important Danish legislation concerning rules of exchange, 1863-1934

Year	Name	Content
1863	Tariff Act of 1863	The abolishment of all export duty and reduction of import duty on

		raw materials, still import tariffs on manufactured goods
1873	The Scandinavian Monetary Union	The introduction of “krone” currency union and the Simultaneous Scandinavian Monetary Union by fixing their currencies to gold at par to each other. Dissolved in 1920 (in practice 1914)
1907	The Meter Law	Introducing the common European standard concerning weight and length
1908	Tariff Act of 1908	Lowering tariffs on manufactured goods (10-20 %), protectionist tariff on sugar
1914-1919	The August Laws	War time regulation of prices and production by commission with representatives from the state, the industry and the labor
1932	The Currency Law	Protectionist act introducing a new currency agency restricted that all Import had to be approved by a commission with repr. From the state, the industry and labour.
1933-1934	Bilateral Trade Agree.	The first bi-lateral trade agreement with Great Britain and Germany

The rules of exchange define who can transact with whom and the conditions of these transactions.[45] Table four illustrates the most important Danish legal initiatives concerning rules of exchange from 1863 to 1934. These initiatives can be divided in two broad phases; the initial liberalistic acts, mainly aimed to facilitate the openness of the Danish economy and from the early 20th century am industrial policy by the state aimed to support the modernization of the country. The tariff act of 1863 should be seen in conjunction with the contemporary liberalistic policies concerning property rights and governance structures. The ideological background for abolishing all export duty was a clear believe in free and open trade and the pragmatic background was that Denmark as a small, agrarian economy was dependent on access to other markets.[46] The Scandinavian Monetary Union, which lasted from 1873 to 1920, provided fixed exchange rates and stability in monetary terms. The Union came about after a series of Pan-Scandinavian economist meetings in 1863 (Gothenburg), 1866 (Stockholm) and 1873 (Copenhagen), which focused on the

[45] Fligstein, 2001, p. 34.

[46] As a result of the war with Preussia Denmark lost 2/5 of the former home market in 1864 and this dramatic change on the one hand caused less competition from the more advanced industrial enterprises in the Duchies and the other hand also meant that the home market was reduced and thus limited the growth opportunities of the emerging industriesHornby, Ove: ”Industrialization in Denmark and the Loss of the Duchies, Scandinavian Economic History Review, No. 1 19769, p. 23-57.

advantage of monetary standardization and rationalization.[47] It is thus striking that the currency union resulted from an academic than a state initiative. But how did the private corporations exploit these international economic integration opportunities? The picture is mixed. The Danish cross-border commerce did in fact increase from around 15 percent of GDP in 1870 to more than 20 percent in 1895. But this export dynamics was based on the agricultural sector, with its successful cooperatively structured transition from the production of crops to the livestock-based production rather than industrial export.[48]

Table 5 - Distribution of GDP at factor cost by principal industrial categories (million DKK, current prices) and manufacturing industries export ratio (percentage)

	1855	1870	1890	1900	1930
Primary Sector	261	335	365	399	1202
Secondary Sector	93	134	215	346	1578
Tertiary Sector	115	200	385	577	2925
Total GDP at factor cost	469	669	965	1322	5705
Man. Industries export ratio	14%	14%	16%	7%	n.a.

Source: Hansen (1970, p. 11)

Table 5 illustrates how the manufacturing industries´ share of the total export stagnated in the liberalistic years, marked by economic integration, from 1855 to 1890, and even fell from 1890 to 1900. It is remarkable that the industrial home-market orientation was so strong even in the 1890s, when the secondary sector grew much faster than the primary (see table 5) and the number of industrial workers grew substantially, from 42,526 in 1890 to 78,206 in 1900. The home-market based industrial growth of the 1890s leads to the second phase of in the rules of exchange initiatives. From the late 1890s the Danish state preceded an active economic policy,

[47] Henriks, Ingrid, Kjærgård, Niels, "The Scandinavian Currency Union 1875-1914" in Reis, Jamens (ed.): International monetary system in historical perspective, Palgrave Macmillan, 1995, p. 91-92.

[48] For an in depth description of this transition see Mordhorst, Mads: Arla: from de-centralzed co-operation to an MNE, in Fellmann et. al., "Creating Nordic capitalism, Palrave Macmillan, 2008, p. 335-364.

which was a first step away from the liberalistic order of the 20th century including the introduction of the meter system in 1907 and the take-over by the state of the Technical Institute in 1908. Same year a continuously liberal trade act was decided upon, emphasizing Denmark´s position as the last country in Europe, together with Great Britain and the Netherlands that insisted of the free trade principles.[49] The liberal forces were still strong, in particular those related to the export oriented agricultural sector. The industrial sector on the other hand was more engaged in the above described protection of a cartel-based governance structure (which was defended through anti-state liberalistic arguments) than in a defense of open, international trade.

To summarize an early competition-based, economic integration process took place in Denmark in the mid 19th century. This process was based on a strong liberalistic order which in short consisted of a new property rights regime based on a simple registration of ltd. liability companies combined with an extremely liberal competition governance structure and finally new rules of exchange which supported free trade through liberal tariff laws and a Scandinavian monetary union. At the end of 19th century this liberal “bazaar economy” became increasingly privately regulated. The merger wave of the 1890s took place congruently with a strong industrial growth – but it worth noting that this growth was domestically oriented rather than international. The open Danish trade was a agricultural based phenomenon until the 1950s. In relation to the industrial sphere, the early economic integration project was a rather domestic project, even though it did provide the opportunity for early export experiences. Experiences that proved important in the later development of Danish capitalism, but on the other hand experiences, which were not fundamental to the over-all economy.

[49] Jones, Geoffrey, …

Denmark and the transition from plan economy to common market

From around 1930 to the turn of the 21st century changes of the three aspects of market formation (property rights, governance control and rules of exchange) reflected a abroad movement from national based, state regulation towards a European influenced more liberalistic regulatory regime.

Property rights in Danish capitalism, 1930-2000

Table 6, Danish company acts, 1930-2000

The Year	**The Act**	**The Corporate Governance conditions**
1930	The Act of Danish Register of Companies of 1930	All limited liability companies registered Information controlled by the public register. Managers and a majority of the board should have residence in Denmark, be Danish citizenship or have at least two years residence (five years for the board members). General assembly to be held in Denmark. Company accounts have to be given to authorities, but family enterprises can avoid publication.
1973	The Public Limited Companies Act The Private Limited Companies act	All limited liability companies have make publication of annual reports and accounts. For the first time a definition of “Groups” (Koncern). Employees represented in the Board of Directors. Accounting standards follows the existing practices
1981	Financial Statements Act I	Implementation of the fourth European directive concerning accounting practices
1990	Financial Statements Act II	Implementation of the seventh European directive concerning Accounting practices with particular emphasis on disclosure rules and measurements relating to groups
1993	The 1993 reform	Only one person can register a ltd. lia. Company. With 90 percent of Shares it became possible to inforce a take-over, easier to change Cooperatives into ltd. lia. And the chairman of the board restricted from positions in the daily management.

Sources: Christiansen, Merete, ”Accounting regulation in Denmark, *European Accounting Review* 1993, 3, 603-616.

Table six mirrors that Danish regulation concerning ownership and profit distribution was very stable in a long period from the 1930s to the early 1970s. The Act of 1930 could not be regarded as very liberal in its nature as it was based on state control of the registered companies, and all listed companies had to submit annual accounts to the authorities, even though family enterprises could avoid publication. By allowing accounting secrecy, preference shares and lack of directors´

annual reports the Act encouraged and preserved strong internal powerbases. This lead to three important types of Danish ownership regimes in the period: The closed version of family capitalism[50], the foundations[51] and in companies with dispersed ownership but very weak external stakeholders.[52] A recent analysis of the post-war development of the dispersed Great Northern Telegraph Company (GN) illustrated how explicit financial interests of external shareholders were consistently disregarded by the board of directors from the 1930s to the 1960s, concluding that in the period: "… an extremely stable internal power base … made GN´s low dividend/high investment policy possible."[53]

The new corporate act of 1973 was an attempt to convergence the Nordic corporate Acts and it included new rights to the external stakeholders including compulsory annual reports, a new definition og "groups" including group accounts as a request and employees membership in the boards of directors. In 1981 the international convergence pattern intensified with the implementation of the EC fourth directive and in 1990 the seventh directive concerning disclosure rules and group account methods.[54] A new reform in 1993 included the sixth corporate act directive including the right to establish a company with one founder and altered structures in the

[50] Expanded export oriented industrial firms such as Danfoss, Grundfos and Lego represented a closed version of family enterprises marked by limited public insight in the corporate matters and powerful family owner-managers.

[51] The second ownership version was foundations often established in relation to generational change or due to tax matters. Often the foundations, such as Carlsberg foundation, the Novo foundation (controlling the medical exporter Novo Nordisk) and Almenfonden (controlling A.P. Møller-Mærsk) controlled the important A-shares with voting rights while B-shares without voting rights were distributed to the public. It should be noticed the entrepreneurial families often controlled the foundations.

[52] Two of the old large Danish companies, ØK founded by H-.N. Andersen in 1884 and The Great Nothen Telegraph Co., founded by Tietgen in 1869, were prime example of this "managerial capitalism": In the period from 1930 to 1980 profits were mainly re-.invested and a

[53] Iversen, Martin Jes: GN Great Nordic – a company in transition, CBS Press, 2005.

[54] Christiansen, Merete, "Accounting regulation in Denmark, *European Accounting Review* 1993, 3, 603-616.

corporate governance regimes.[55] Despite the gradual strengthening of external stakeholders position and the convergence toward European corporate Act standards after 1973 then the three established Danish ownership regimes encouraged and preserved by the long lasting 1930 Act continued to dominate among the largest Danish enterprises – together with the co-operative ownership model in the agricultural sphere.[56] Neil Fligstein has pointed at the weak implementation of property rights integration in Europe after 1992 and this national characteristic is confirmed by the persistently, peculiar ownership structures in Denmark.[57]

From stable competition regulation to European law

The public regulation of competition from 1930 to 2000 was marked by a long period of stability from 1955 to the mid 1980s when increased demands for changes, including more international coherence, emerged among Danish politicians, economists and businessmen.[58]

Table 7, Public Danish competition regulation, 1937-2000

Year	Name	Content
1937	2nd Law on price agreements	Law against general price agreements which limited competition including registration and publication of price agreements and the establishment of a new price control board which could investigate private competition circumstances
1940	Law on Prices etc.	War regulation of prices and production regulating competition by the control of profits, imports etc. continued until law of 1952 with some amendments in the late 1940s.

[55] The act prohibited that the chairman of the board of a listed company could at the same time function as CEO – this change was direct respond to the "Nordisk Fjer" corporate scandal in which a powerful chairman / CEO had ruined an old company without sufficient board of directors control. In this way the act further weakened the internal power bases.

[56] The ten largest Danish corporations in 2007 included:

[57] Fligstein, Neil, Euroclash, the EU, European identity, and the future of Europe, Oxford University Press, 2008, p. 72-73.

[58] For a further discussion on these demands of changes see Per Boje (2003) p. 220-239.

1949	Appointment of "Trust Commission"	Commission appointed to investigate international Competition policy and the Danish situation
1952	Law on prices	Opportunity to set prices in accordance to a more but but continued state regulation of prices - from 1956 to the mid 1980s: 16 new laws on price-regulation.
1955	The Monopoly Law	New law including the establishment of a Monopoly Council, private competition regulation accepted but continued need of public registration. Rising prices could only happen with the approval of the council.
1984	Committee: modernization of the 1955 law	Commission suggesting a competition law rather than Monopoly law – based only on the need for higher Economic efficiency – continued public control principle
1989	Law on competition	New law based on the committees suggestions
1993	OECD report on Danish competition	Very critical report on the competition conditions On the Danish market and the wake control principle
1997	Law on competition	New strengthened law based on prohibition principle
2002	Law on competition	Further strengthened law including merger control And the competition council aloud to use the EU Legislation.

Sources: Boje, Per: Marked, erhvervsliv og stat, Aarhus Universitetsforlag, 2004

With the price regulation law of 1937 a public Danish institution "the Price Control Council" had been established. This council proved to be very important during the Second World War and the following two decades, as the administration of prices and profits was a key tool in the detailed public price-regulation of the Danish economy from the 1930s to the 1970s.[59] The detailed price regulation affected competition conditions in Denmark and was thus included in the 1937 law, but after the Second World War a political pressure for a real trust- or cartel law emerged. The Trust Commission was appointed in March 1949 after a parliamentary debate.[60] The commission was managed by Copenhagen Business School professor H. Winding Pedersen and in 1953 it passed over a recommendation for a Danish trust law which should ensure four things: economic effectiveness, distribution of wealth (avoiding monopoly concentration of capital), freedom of

[59] The average annual number of employees in the Danish Price control Council expanded from 4 in 1937, 18 in 1939, 30 in 1940, 100 in 1942, 300 in 1945, 350 from 1946-1948, 150 from 1950-1952 and then down to less than 100 from 1953 to the late 1960s, Per Boje (2003) p. 136 and 156.

[60] The trust issue was surprisingly raised by the conservatives as they feared the future challenges to small Danish businesses caused by international cartels – in particular the margarine-cartiel lead by the British-Dutch giant Unilever

trades and protection of small co-operations. The proposal went further than the 1937 law as it included some of the public price regulation which since had been institutionalized – according to §24 the authorities for instance should approve any rise in prices suggested by registered cartel members. On the other hand the proposal was still based on the publicity- and control principle meaning that trusts and cartels were legal if notified to the authorities. A law proposal was presented in the Danish parliament in December 1953 and it is striking that the Social Democratic MP, Lis Groes, described the contemporary private competition regulation as "if the old guild-system had been resurrected in a modern shape".[61] The law was adopted in 1955 and after intense lobby activities by the industrial organizations from 1955 the purpose was changed from the suggestion by the council as "a law which should be used when competition was limited due to companies´ size, financial connections, arrangements, passages and other organizational matters", towards the softer "a law which should be used if competition was limited in such a way that it does, or will, influence substantially the price-, production- or transport- matters".[62] Same formulation as in the 1937 law.

The trust law of 1955 lasted until the mid 1980s and strikingly the Monopoly Council, which took decision on possible competition violation, was managed by the same director, W.E. von Eyben, from 1955 to 1980. How do we explain this long term stability. An important factor is emerging symmetry of interests between the workers movements, the private enterprises and the state. The case of the Danish brewery industry, which had price-regulating cartel from 1899 to 1988, showed that the active brewery hand union accepted strong organized employers as a cartel

[61] Boje, Per, Marked, erhvervsliv og stat, Aarhus niversitetspres, 2003, p. 192.

[62] Ibid. p. 203.

helped to ensure stability for the employees.[63] The brewery industry itself, dominated by Carlsberg/Tuborg favored stability in the market structure and finally the state supported the highly organized market as it ensured stable, predictable tax income. In contrast to the heated ideological debate after the first world war the late post 1945 decades were marked by a consensus behind organized capitalism, with restricted market in which a strong state accepted private competition regulation – as long as it was registered, controlled and followed by a bureaucracy.

In the 1980s the ideological debate concerning the role of the market reappeared and in December 1984 a committee, consisting of law professor Bent Christensen and to economists Poul Nyboe Andersen and Anders Ølgaard, was appointed to suggest a revised law.[64] The committee proposal of 1986 entitled "From monopoly law to competition law" was representative for the liberalistic movements of the period as it suggested to focus the law solely on the matter of ensuring economic efficiency. The following Law of 1990 included for the first time public organizations and it continuously built upon the publication and control principle. The new competition council should ensure competition by a high degree of openness from the enterprises but the law only included one real "prohibition" against fixing gross prices.[65]

As emphasized in the introduction to this article the Danish business structure had gone through a dramatic transition by the late 1980s. Big business had become bigger, more concentrated and thus economically more powerful. The structural change resulted from a wave of mergers in the

[63] See Dahlberg, Rasmus, Linden, Trine and Iversen, Martin Jes: Bryggerne, Bryggeriforeningen 1899-1999, København, 1999.

[64] Boje, Per, Marked, erhvervsliv og stat, Aarhus Universitetspres, 2003, p. 203.

[65] Ibid., p. 209.

late 1980s and most often the motive behind these mergers was to prepare the Danish enterprises to the up-coming international competition of the European Common Market – decided upon in 1987 with effect from January 1, 1993. Within the banking sector six of the largest Danish banks formed to new groups in 1990 and perhaps even more dramatic the slaughterhouse and diary industry gradually changed from a decentralized structure in the early 1970s – with more than 50 independent slaughterhouses and dairies in the early 1980s – to situation at the turn of the century with only large slaughter house company, the European market leader "Danish Crown" and one large diary "Arla Foods" market leader in Scandinavia and Great Britain.[66]

In January 1993 OECD published a very critical report concerning the Danish competition situation and regulation.[67] The Danish business structure was, according to OECD, marked by substantial private competition regulation due to cartels and dominant firms. OECD recommended that Danish law changed from the control principle towards the prohibition principle stating that any limitation of competition is illegal if it is not mentioned as acceptable in the law. After several years of preparation a new law was agreed upon in May 1997, and this time it followed the prohibition principles of European competition law and in general the law was prepared in close co-operation with the European authorities – for the first time the law stated that in their very nature private competition regulation and abuse of a dominant position *per se* was illegal in Denmark.[68]

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[66] Iversen, Martin Jes, " Corporate responses to Institutional Change" in Schröter, Harm G. (ed.): The European Enterprise", Historical investigation into a Future Species, Springer Press 2008.

[67] Kallestrup, Morten, Marked, Erhversliv og stat, Aarhus Universitetsforlag, 2003, p. 259.

[68] Ibid., p. 265

Rules of exchange from a Danish to a European context

The rules of exchange followed the pattern of property rights and competition regulation in its broad transition from a national institutional base towards a highly European influenced system from the late 1980s onwards. The most striking characteristic of the new trans-national rules of exchange was the complexity and detailed regulation creating new markets on a functional basis..

Table 7. Important Danish legislation concerning rules of exchange, 1934-2000

Year	Name	Content
1933-1934	Bilateral Trade Agree.	The first bi-lateral trade agreement with Great Britain and Germany
1940	Law on Prices etc.	War regulation of production regulating rules of exchange by the control of imports, production etc.
1949	OEEC trade liberalization	50 % elimination of quantitative import restriction required in the OEEC area
1950s	Currency restrictions	Continued restrictions on cross border currency transactions
1960	New import customs	Change in policy from import regulation to customs: Result highest Import customs of industrial goods since 1797
1960	EFTA established	Membership of Free trade area: gradual abolishment of import customs and immediate abolishment of quantitative import regulat. (GB, Sweden, Norway, Denmark, Switzerland, Austria and Portugal)
1973	Membership of EEC	Part of the West European customs union including a common agri-Cultural policy but excluding economic integration of other areas than Goods market
1972-1979	The currency “snake”	Danish membership in the “currency snake” cooperation Established after the break down the Bretton Woods system in 1971: The “snake” currencies could only disperse to a certain limit
1979	EMS	Danish membership of the European Monetary System (EMS)
1982-1987	Fixed currency policy	Fixed currency policy towards the ECU
1987	Single European Act	A concrete plan for the creation of a common market including general principles for a common market including non-fiscal barriers and following white papers for the rules of exchange of specific sectors
1993	Single European Market	European market based on the free movement of goods, capital and remaining national quotas vis-à-vis third countries eliminated
2002	Euro introduced	Danish krone fixed to the euro

One of the main aspects of the protectionism in the 1930s was the substantial quantitative import restriction and the regulation of cross-border currency transactions. OEEC, founded as a coordinating body of the Marshall help in 1948, required already in 1949 that the receiving countries should eliminate 50 percent of their quantitative import restrictions. The long-term aim was to replace the pre-war bilateral trade system with multilateralism in the Western hemisphere.

The gradual liberalization of the European markets was never-the-less a complex development marked by several attempts to continue the protection of domestic industry through non-fiscal barriers such as different standards and national strategies which kept import regulation within industries regarded as important for the home market. In the Danish context the membership of EFTA in 1960, caused a change from import regulation towards external customs and this had in particular an impact on the expanding industrial sector while the agricultural sector was left out of the cooperation and the networking industries, the financial sector and the service sector at this stage was continuously marked by various trade barriers.

The Danish membership of the EEC in 1973 was followed by ten years of stagnation in the integration process in which member states initiated unco-ordinated national crisis policies through devaluations and even state funded 'buy-national' campaigns. The so-called 'Euro sclerosis' lasted until January 1985 when Jacques Delors was appointed as the new chairman of the European Commission. In January 1986, the European leaders agreed upon the Single European Act (SEA) which consisted of new institutional changes, such as a stronger role for the Parliament and more majority voting at the expense of the former unanimity rules, and new concrete political economic initiatives - most important the preparation of the internal market in 1992, which included 'abolishing of barriers of all kinds, approximation of legislation and tax structures, strengthening of monetary cooperation and the necessary flanking measures to encourage European firms to work together'.[69] Following the membership of the European Community in 1973, Danish trade with the European countries rose from DKK 24.4 billion in 1973 to DKK 42.1 billion in 1978, or from 65 per cent of total exports to 69.5 per cent of the total

[69] Single European Act, 1987, EEC 1987.

exports. But remarkably, the share of Danish export to the other West European countries stagnated and even fell in the early 1980s from 63.5 per cent in 1982 to 58,7 per cent at the lowest point in 1984.[70]

This stagnation – which indicates that Danish membership was not followed by any immediate 'Europeanization' of the economy – went on to the mid-1980s. The picture changed in the latter part of the 1980s in line with the rising dynamics of the European integration process. From 1985 to 1991, the share of exports to the other community members rose from 58.7 per cent in 1984 to 68 per cent in 1991. Export to other West European countries was stable around 65 per cent throughout the 1990s and early 2000s. The high share of EU exports within total Danish exports indicates that the European market gradually became more important for the Danish companies, particularly in the late 1980s and early 1990s when the institutional framework in terms of the SEA and the Common Market was implemented.[71]

Table 8 - Foreign Direct Investments by Denmark outward; the EEC, in total, EEC% of total, 1982-1992 (mill. DKK, annual prices)

Denmark FDI out	1982	1987	1992	1997	2002
FDI outward EEC	124	2.395	11.402	18.300	24.420
FDI outward total	596	4.227	13.502	27.800	37.378
EEC of total FDI	20,81%	56,66%	84,45%	65,83%	65,33

Source: Danish Statistical Department, For the years 1982 - 1990 EEC included the following countries: Belgium-Luxembourg, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal, Spain & United Kingdom

Danish companies went through a substantial transition in a short time. From a relatively low level of outward Foreign Direct Investment (FDI) in the early 1980s towards a very high level of outward FDI in the 1990s and early 2000s. It rose from DKK 596 million or only 0.3 per cent of the GDP in 1982 , while in 2000 and 2001 the outwards FDI was 10.3 and 3.6 per cent, respectively, of the

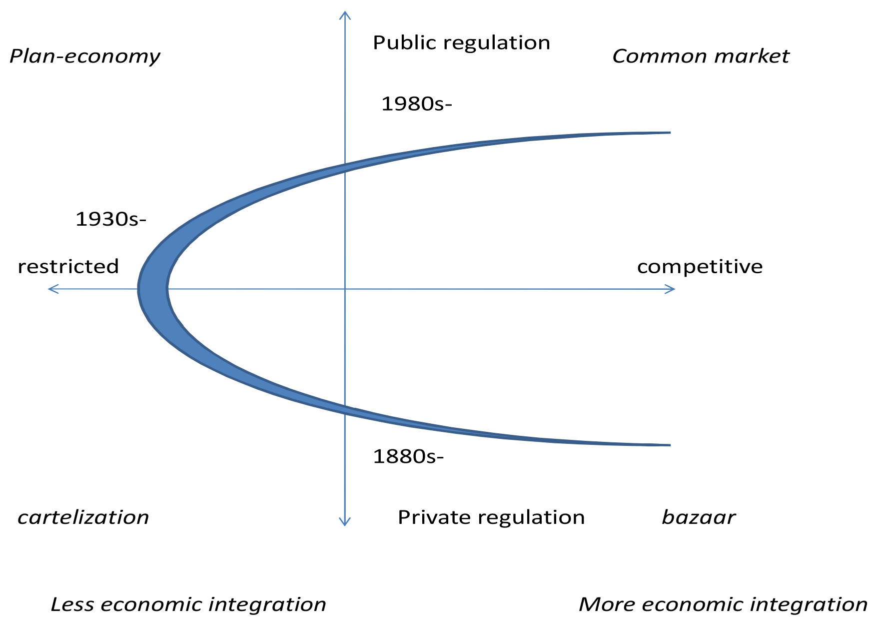
[70] Iversen, Martin Jes and Andersen, Steen: Denmark: Co-operative Liberalism, in Fellman et. al.: Creating Nordic Capitalism, Palgrave Macmillan, 2008, p. 265-335..

[71] Ibid.

GDP. In other words Danish companies – and indeed the Danish economy – became more open and international from the mid-1980s and onwards.[72]

Conclusion

The relationship between economic integration and Danish business history from 1850 to 2000 has in this article been divided in four phases: the early bazaar economy from around 1850 to 1880 the cartelization from around 1880 to 1930, the planned economy from around 1930 to 1980 and finally the common market from around 1980 to 2000.



Early Danish capitalism was marked by extremely liberal market condition in terms of property rights, competition regulation and rules of exchange. Already in the 1870s the respond to this

[72] Ibid.

situation was an early cartelization which accelerated with the mergers in the 1890s. In the Danish case the private entrepreneurs regulated capitalism and the perhaps most striking characteristic of this period was the absence of the state. The Danish corporate responses to competition were restructuring and close corporate cooperation. Denmark at the same time was an open economy and the industrial corporations get the first international experiences through export primarily to the other Nordic countries and Great Britain.

In the early 20th century the state gradually entered the stage of Danish capitalism. The ideological battle about market regulation after world war 1 illustrated the contrast between the old liberalistic interests of the industrial leaders and conservative politicians and on the other hand the empowered social democratic leaders and the union leaders which during world war one had participated in detailed market regulation. The crisis of the 1930s marked the Danish entrance to the third phase of the model namely the planned economy. The perhaps most important characteristic of this period was the long-term stability of the market structure. Both the property right institutions and the competition regulation hardly changed its foundation from around 1945 to around 1985. This stability was reflected by a dominant corporate growth strategy based on close cooperation between competitors, the state and the unions. The cooperative capitalism was combined with increased international activities in terms of export to the Western allies within OEEC, EFTA and later EEC and EU. In the 1970 and 1980s a second common characteristic between the three components of the market structure emerged: a transition from national law setting to a European approach. Gradually the corporate laws transformed into a European nature. The Competition law finally in 1997 became “Europeanized” and the rules of exchange were at this stage marked by industry-specific non-Danish standards and systems defined for functional markets such as banking, telecom, services sector. etc. Danish companies responded to this market change through mergers and acquisitions. As in the 1890s the mergers created corporations that dominated Danish activities within key sectors. [73] But there were two important differences between the the concentration of the 1890s and 1980s. Firstly the merged firms if the 1980s were focused on niches of trans-national markets´ rather than dominance of a national market sphere, and secondly the large companies was now part of a different market structure characterized by public regulation with detailed legislation concerning property rights, competition and rules of exchange.

Joel Mokyr suggested that the Small Open European Economies (SSEEs) were marked by a combination of efficient, stable democratic public institutions, a long-term insistence on liberal, open economic principles and finally the ability to define and exploit global niches.[74] This article indicates that the corporate exploitation of global growth opportunities rather built upon deeply rooted capabilities established through *various* periods of more or less open markets. This variety of economic openness meant that the Danish corporate capabilities mirrored both *co-operative experiences* from the long-term negotiations with competitors, states and customers, as well as *liberal understanding* of the need to exploit local, national and global market opportunities.[75]

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[73] The markets of diaries, slaughter houses, shipping and breweries were all marked by one actor with more than 60 percent control of the economic activities)

[74] Mokyr, Joel, "Successful Small Open Economies and the Importance of Good Institutions" in Ojala, Jari (ed): "The Road to Prosperity: An Economic Hisotry of Finland Helsinki, 2006.

[75] For a more detailed decription of the dualistic nature of Danish capitalism including liberal and co-operative principles see Iversen, Martin Jes and Andersen, Steen: Denmark: Co-operative Liberalism, in Fellman et. al.: Creating Nordic Capitalism, Palgrave Macmillan, 2008.