

Danish Social Democrats vote for entry into European single currency

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Denmark's ruling Social Democratic Party (SDP) has begun a campaign to adopt the European single currency—the euro—in the run-up to September's referendum on the issue. The party's extraordinary congress, held on April 30 to discuss the euro, voted by 486-15 to campaign for Denmark's adoption of the currency.

Launching the "Best for Denmark" campaign on May 3, Prime Minister Poul Nyrup Rasmussen said, "Now we're putting all our strength in getting a 'yes' on September 28." The SDP intends to campaign for a "yes" vote throughout the country and has formed a 10-member committee dedicated to winning support for it.

Denmark was one of three countries, along with Sweden and Britain, that opted not to join the euro currency system in its initial phase when it was launched in January 1999. The country has held two previous referendums on matters relating to the development of the Single European Market. In 1992, the Maastricht Treaty setting out European Union was rejected narrowly by Danish voters. The following year a referendum approved a modified version of the agreement with four opt-outs negotiated by the government, including exclusion from the single currency zone and joint defence proposals. Presently Denmark is a member of "ERM 2", a stop-gap mechanism designed to keep the krone tightly linked to the euro.

Rasmussen said that the future of the Danish economy was bound up with the euro and was threatened by its exclusion from the euro zone. In almost apocalyptic tones he declared, "The greatest threat against our welfare system are the speculators on the world's money markets who will throw themselves at us if we reject the euro. Our best insurance against

this is adopting the common currency."

He continued, "The international money markets' huge strength—and increasing strength—has shown us how vulnerable we are and how strongly we need a community which can shield us against sudden crises."

Rasmussen's comments echo the fear in Danish ruling circles that the development of a global financial crisis would lead to the virtual liquidation of the krone, and the type of economic and social upheaval seen most recently in Indonesia. The central bank and significant sections of industry and business also support the "yes" campaign in the referendum. Many trade unions have also come out in favour of adopting the euro.

Prior to their conference, officials at the Danish finance and economic ministries drew up a 560-page document which forecast that non-participation would probably lead to heavy speculation being taking against the Danish currency by international financiers. The report said that the only mechanism that the government had against such speculation would be to attempt to buy kroner, leading inevitably to a rise in interest rates. It concluded that the adoption of the euro was an economic necessity and would lead to more overseas investment in Denmark and more stability in the economy.

Marianne Jelved, the economy minister, said that these forecasts were "not scaremongering. It is the result of an analysis that illustrates the advantages and disadvantages of the euro." The majority of Denmark's trade is within Europe, particularly with Germany, its main trading partner. Sweden and the United Kingdom are also major importers of Danish goods.

Denmark's entry in the euro zone, however, is not the economic panacea Rasmussen presents. Membership of the single currency is tied to countries implementing strict budgetary measures. Economists argue that so

long as Europe continues to finance relatively generous welfare benefits, the continent will not be able to compete effectively against its American rival.

The SDP's vote in favour of euro entry confirms the pattern in Europe of social democratic governments taking responsibility for implementing the austerity measures demanded by the international corporations and financiers. This is a significant factor in the declining support for social democratic parties across the continent.

Amongst those hoping to benefit from this is the right-wing Danish Peoples Party which is at the forefront of the “no” campaign on entry to the euro zone. The DPP, which stands on an openly anti-immigrant and anti-Europe ticket, saw its vote double to around 20 percent in recent elections.



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