

Source: all newspapers, 23-29 June 2012

Report: The Tax Reform

On Friday the government surprised everyone by stating that it had reached an agreement with the Liberal Party (V) and the Conservative Party (K) on a tax reform. At that point V had left the negotiations with the explanation that its leader, Lars Løkke Rasmussen, would be in Rio de Janeiro for Rio+20 and that his party therefore could not negotiate with the government. Every single commentator believed the government would reach an agreement with the Unity List (EL) which was still negotiating with the government, as were Liberal Alliance (LA) and K.

The final agreement:

- Raises the income level at which you pay the maximum tax rate by 57.900 DKK starting in 2022.
- Raises the employment deductible from 5.6 percent to 10.65 percent. Single parents will get an even bigger deductible.
- Maintains the interest rate deductible. Until 2020 the property tax and the mortgage deductible will remain unchanged. The government's own proposal was to reduce this deductible.
- Excludes the original proposal's plan to reduce pensions for wealthy pensioners.
- Regulates public benefits (welfare, unemployment benefits, disability pensions) to follow the price developments rather than the salary developments. This means *de facto* reduced benefits. It will begin in 2016.
- Includes an expected one billion DKK discount on Denmark's annual contribution to the EU.

EL had the absolute requirement that conditions for people on public benefits would not be worsened.

Saturday, 23 June

Political Spokesperson for EL Johanne Schmidt-Nielsen was so furious about the government finally ignoring EL and making a deal with VK that she said: “The Unity List’s faith in this government is currently non-existent. We are no longer a supporting party for the government. We are in opposition to this government.”

She further said that the government has “pissed on the voters” and that it is “stealing” money from those who are worst off. Her outbursts have been played on all national media several times as this is an unusually harsh statement from a *de facto* party leader.

EL said that if it is supposed to vote in favor of the budget in the fall, it will demand “krone by krone” compensation for what the government and VK have “stolen” from those who have the least. At the moment it looks like EL may keep that promise as their support in the public is overwhelming.

When Schmidt-Nielsen was asked whether she would be willing to overturn a red government by not voting in favor of the budget, she said that since the government is making its politics with the so-called blue wing, she would assume that they have an agreement with it. She said so knowing that nobody on the so-called blue wing will help save the so-called red government if its parliamentary foundation, EL, opposes the budget, and Peter Christensen (V) directly confirmed that fact.

In the Socialist People’s Party (SF) there have also been significant unrest and it broke out immediately when prominent and outspoken member Trine Pertou Mach said she is cancelling her candidacy for parliament in the next election, reported *Information*.

Berlingske reported that MP for SF Özlem Cekic will not vote to approve the Tax Reform. She wrote on her Facebook wall: “I cannot comprehend how it can be considered red politics to take from the unemployed, disability pensioners, the handicapped and the ill in order to finance tax

cuts. It is hard to recognize my party which has always fought for equality. I am deeply, deeply disappointed.”

Editorials

Berlingske’s editorial was happy that the agreement was made. It believes it to be the most responsible outcome.

Politiken was more wary of the arrangement stating that the events leading up to the Tax Reform being made – Løkke Rasmussen going to Rio de Janeiro and leaving the negotiations, V only wanting to negotiate if it could get 13 billion DKK worth of tax cuts and so on – all suggest that V cannot be trusted, and that may prove fatal for the government if it turns out it has to rely on V’s votes later.

Information’s political editor, Amalie Kestler, wrote that “the process leading up to the tax reform makes it hard to portray politics as a serious job and politicians as people who value substance over tactics.”

Sunday, 24 June

The tax reform is also referred to as the “blue tax reform” as there was also a “red tax reform” being negotiated with EL. This reform never came to fruition. There has been a lot of talk about why. EL says that it was practically a done deal but that it, unlike all other parties, had to have it approved by the party’s board members before the members of parliament could sign it. This should have happened over the weekend and it should have been signed on Monday (25 June).

The government, on the other hand, said that EL kept presenting new demands and that V and K were much more willing to meet the government’s proposals for a tax reform. EL counter-reacted by saying that if the government had genuinely wanted a “red” reform, it would have waited and kept negotiating if necessary. This proves, said EL, that the government really wanted a “blue” reform.

Berlingske reported that the “red” reform would have increased the Gini coefficient which measures inequality in society by 0.03 whereas the “blue” reform increases it by 0.27. The final agreement thus results in greater inequality which was something the Social Democrats’ (S) alliance with SF originally said they would minimize during the election campaign. EL reiterated its demand for “krone by krone” compensation for those on public benefits in order for it to vote in favor of the budget in the fall. Minister for Finance Bjarne Corydon (S) said that it has nothing to do with next year’s budget since the new regulation of public benefits will start in 2016. No matter, said EL, their demand starts in 2013.

In *Jyllands-Posten* EU Professor Marlene Wind called the expected one billion DKK discount on the EU contribution “toy money” and added: “I do not think Denmark will get the discount”

Editorials

Jyllands-Posten’s editorial wondered whether the government will get to celebrate its first birthday based on the parliamentary foundation, EL, stating it may not approve the budget.

Monday, 25 June

Berlingske’s political editor, Thomas Larsen, stated that “the operation was successful but the patient died,” meaning that the government has managed to reach a broad agreement across the aisle but despite this success, the government itself may fall because of it.

Politiken referred both to the weather and the current situation in SF with its headline “Black Clouds over SF Meeting.” The meeting in question was an urgent meeting called after public criticism escalated on Sunday within SF. The meeting on Sunday evening in Copenhagen lasted several hours and resulted in the expected statements that everything was fine. However, commentators interpreted the meeting as sign of a severe crisis in SF.

Søvndal said that SF's national board approved the reform following the meeting but the board clarified in the media that this was not the case. Rather the board agreed to consider the reform. It has not approved anything yet, it said.

Minister for Economy and Internal Affairs Margrethe Vestager said in response to the criticism that the EU discount represents fictitious money, that she is confident Denmark will get discount in the EU.

Tuesday, 26 June

Another SF MP stated on her Facebook page that she would not vote in favor of the Tax Reform and with that joined Cekić' opposition to the reform. Lisbeth Bech Poulsen was the MP in question and this caused *Berlingske* to run the headline "Tax Mutiny in SF."

While Thorning-Schmidt had stated during the weekend that the tax reform will provide more money for welfare, *Information* and *Berlingske* reported that several economists reject this statement claiming the opposite will actually be the case.

Politiken reported that Corydon ignored a request from Minister for Taxation Thor Möger Pedersen (SF) to present one final proposal to EL before agreeing to anything with V and K.

Many voters who voted for the so-called red wing feel like they have not got what they voted for. This is evident in polls and not least in the fact that EL has increased its memberships by 905 new members since Friday – that represents a ten percent increase in just four days. Schmidt-Nielsen and Pernille Skipper (EL) both stated that they were delighted with the support but that they were sad it comes as a result of a government that does not want to do red politics.

Editorials

Berlingske's editorial called EL communists and asked how EL would want to finance the tax cuts if not through cuts in public benefits and proposed what it deems a likely reply: the ministers themselves? It ignores the fact that EL was not in favor of tax cuts for those who make the most money.

Politiken's editorial is worried that EL's negativity and bitterness will ruin the foundation for solid cooperation. EL should not let itself be consumed by bitterness and let it hinder the possibility of cooperating with the government.

Despite the government reaching an agreement with V and K, *Jyllands-Posten's* editorial criticizes it as not being serious enough about tax cuts and instigating growth. EL is even worse and the risk of them gaining more power is in itself a liability.

Wednesday, 27 June

Information wrote, based on economists' assessments, that the tax reform threatens the so-called Danish model which is the description for the high degree of employment security which means that you can get fired without experiencing a life-altering change in living conditions. It is considered a cornerstone of the Danish welfare model as it makes for a much more flexible system for both employers and employees. The economists say that when reducing the unemployment benefits, the flexibility in the labor market suffers and that will harm the internationally praised so-called Danish model.

Berlingske called presidents of local SF chapters and 23 of those who responded said they do not consider the tax reform SF policy, 17 said they did. This added to the growing unrest in SF. Furthermore a poll in *Politiken* had SF at 5.4 percent.

Correspondingly SF's biggest competitor for the left wing voters, EL, continues ahead in the polls and reached 12.3 percent on Wednesday. New members still flow to EL and on Wednesday it got a prominent new member: Former wise man in the seventies and Minister for Social Affairs in 1983 for S Bent Rold Andersen joined EL, reported *Jyllands-Posten*.

Speaking of S, *Politiken* caught up with MP's for S after an MP meeting in S. Minister for Food Mette Gjerskov, former Minister for Finance and Foreign Affairs Mogens Lykketoft and prominent member Rasmus Prehn all declined to comment on the tax reform. Pernille Rosenkrantz-Theil misspoke on who would benefit from the reform and asked to try again, then with a different answer.

Berlingske reported that a reform on flexijobbers and disability pensioners is underway. It looks like it will be reached with the so-called blue wing.

Thursday, 28 June

The top story regarding the tax reform had to do with the growing crisis in SF: MP Lisbeth Bech Poulsen had stated that she wanted to vote against the reform but after a meeting for SF's MP's she left the room with tears in her eyes and said that she had thought it over and concluded that she could not be an SF member if she voted against the reform, and she would not leave SF, so she would vote in favor of the reform which she emphasized that she would not defend.

It was obvious to anyone who witnessed the scene that she had been exposed to an ultimatum and been forced to file in. This caused one tabloid to label Villy Søvndal "the smiling dictator" based on a photograph of him smiling behind the practically crying Bech Poulsen.

According to *Berlingske* there was significant anger with the way Bech Poulsen was forced to file in and accusations of top management were quickly thrown around. Many believe that Søvndal, Möger Pedersen and a few others make the decisions and the rest of the MP's have better file in.

Bech Poulsen's "change of heart" begs the question: What about Özlem Cekic? When leader of the SF MP's Pernille Vigsø Bagge was asked about this, she said that everybody in SF will vote in favor of the tax reform. When subsequently asked whether she had talked to Cekic, she said she had not and she would not do so through the media. The logical conclusion to reach based on this is that either Cekic votes in favor or Cekic leaves SF. According to *Politiken* Cekic will wait until Saturday (30 June) to let the public know what she does. Commentators find this extremely odd as focus will stay on the unrest in SF until she makes a statement.

Should Cekic decide to vote against the reform, there are speculations that she would join EL. And EL would be happy to have her, says Per Clausen (EL) to *Politiken*, but he adds that in EL they oppose people changing parties and staying in parliament; when they have been elected for one party they should either stick with that party or leave parliament and make room for a substitute. Cekic is welcome to do this and work her way up in EL, Clausen said.

Berlingske reported that 35 of 39 responding presidents of local SF chapters said they prefer EL to have priority when negotiating the reform for flexijobbers and disability pensioners. The party leadership rejects this demand and says that no party will get priority over other parties.

In *Information* both S and R rejected the economists' statements in Wednesday's newspaper that the reform will undermine the so-called Danish model. But both parties also agree that they are at the limit. If the unemployment benefits are regulated more, it will start to hurt the unique Danish system.

Former Minister for Integration Birthe Rønn Hornbech (V) wrote in a column in the online newspaper *Den Korte Avis* that EL should not be in parliament at all. She called the party "anti-democratic." She is deeply opposed to the party's board which has to approve whatever EL's MP's sign in advance.

EL's Per Clausen, however, was very calm about Rønn Hornbech's outburst: "It is a bit pathetic to witness Birthe Rønn Hornbech act like someone who gets to decide who is worthy of representation in parliament. When you think about her own actions as minister, I think she should learn to control herself and her way of reacting before she judges others."

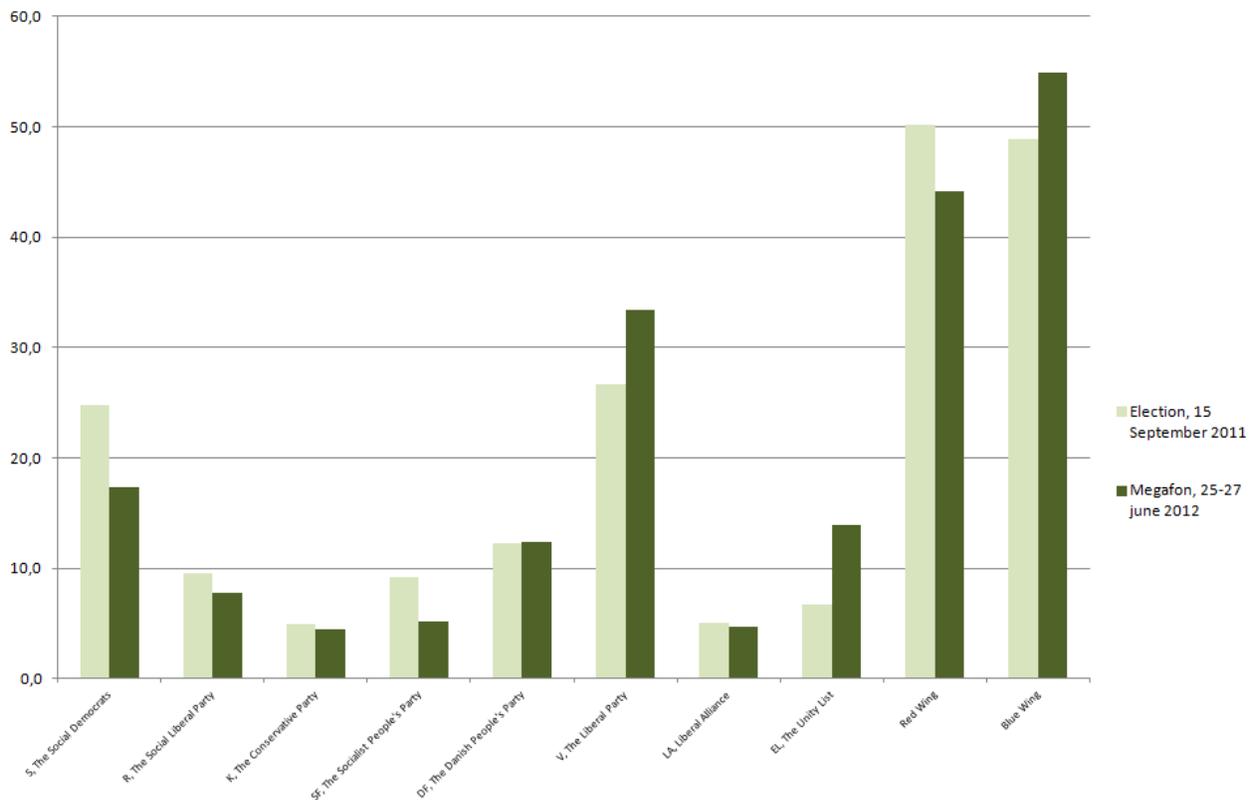
Several commentators, *Børsen's* Helle Ib and *Fyens'* Troels Mylenberg for instance talked about SF being in a very deep crisis with "a very, very dark future" the way it looks now. The party, they agree, leaves so much focus on all the bad things that in the end that is all that is left in the minds of the voters.

Editorials

Information's editorial echoed this sentiment and asked "who can believe in SF?" The party has lost all credibility. It is a paradox that after the government got a reported 21 points out of the 24 in the final plan adopted, SF still feels it has to defend itself. How can a party that is successful in its politics feel like it has to defend itself? When SF blames EL for not signing the "red" agreement, it all turns downright grotesque, writes *Information*; if it gets the blue wing to agree to its politics, then what is there to defend?

A poll made EL the third-largest party ahead of the Danish People's Party (DF) and trailing just behind S:

| | Election, 15 September 2011 | Megafon, 25-27 June 2012 |
|-------------------------------------|--------------------------------------|-----------------------------------|
| S, The Social Democrats | 24,8 | 17,3 |
| R, The Social Liberal Party | 9,5 | 7,8 |
| K, The Conservative Party | 4,9 | 4,4 |
| SF, The Socialist People's Party | 9,2 | 5,2 |
| DF, The Danish People's Party | 12,3 | 12,4 |
| V, The Liberal Party | 26,7 | 33,4 |
| LA, Liberal Alliance | 5,0 | 4,7 |
| EL, The Unity List | 6,7 | 13,9 |
| Red Wing | 50,2 | 44,2 |
| Blue Wing | 48,9 | 54,9 |
| | | |
| Total | 99,1 | 99,1 |



Friday, 29 June

With no response from Cekic on what she intends to do, the stories keep on growing. *Berlingske* has talked to local SF presidents and members of the party's national board. A member of the national board, Nanna Westerby, says Cekic should show more "team spirit" and vote along party lines. It is necessary that the party knows how many seats it represents when it is negotiating an agreement like the reform.

Others, however, disagree strongly. Local presidents on Funen call for Søvndal's resignation as party chairman. They believe Cekic, if she votes against the reform, does what the whole party should be doing.

Jyllands-Posten reinforces the latter sentiment. It has talked to SF presidents from Copenhagen, Aalborg and Lolland who all think it is time to discuss whether Søvndal should step down.

The Political Spokesperson for SF, Jesper Petersen, meanwhile stated to *Jyllands-Posten* that it is "unsportsmanlike" not to support the party leader at a time like this. The only way to get through a crisis like this is to stick together, he said.

Berlingske presented a graphic of S's voter support in the elections since 1910. The party was founded 39 years earlier and was first represented in parliament in 1884. The first S prime minister was Thorkild Stauning in 1924. The rightmost column is the level at which S currently finds itself. It emphasizes the scale of the current crisis.

Op og ned med Socialdemokraterne i 100 år

Efter at Helle Thorning-Schmidt (S) dannede regering med de Radikale og SF sidste år, har partiet været på en historisk nedtur i meningsmålingerne.

Socialdemokratiet blev dannet i 1871 og opnåede valg til Folketinget første gang i 1884. I 1924 blev Thorvald Stauning den første socialdemokratiske statsminister. I alt har ni forskellige socialdemokrater været statsministre:



Thorvald Stauning 1924-26 og 1929-42 | Vilhelm Buhl 1942 og 1945 | Hans Hedtoft 1947-50 | H.C. Hansen 1955-60 | Viggo Kampmann 1960-62 | Jens Otto Krag 1962-68 og 1971-72 | Anker Jørgensen 1972-73 og 1975-82 | Poul Nyrup Rasmussen 1993-2001 | Helle Thorning-Schmidt fra 2011

Procent af stemmerne ved folketingsvalg:



17,0 pct.* ville stemme på Socialdemokraterne i dag

BERLINGSKE INFOGRAFIK / MALLING

*J Seneste Berlingske Barometer: b.dk/berlingskebarometer - det er et beregnet gennemsnit fra d. 28. juni. KILDE: FOLKETINGETS BIBLIOTEK OG BERLINGSKE RESEARCH

Editorials

Jyllands-Posten's editorial described Bech Poulsen as infantile; she seemed like a schoolgirl who had just got a reprimand by the principal and that is not worthy of a politician. She should suck it up. She was in essence too afraid of being excluded from the social community, which the SF MP group is, to defend her beliefs.

Berlingske wrote that the unrest in SF's hinterland works as a virtual pressure cooker and this poses a risk to the party and by extension the government. The same goes for S's crisis. One can only hope, concludes the editorial, that the government's life will be short – for Denmark's sake.