Denmark's economic freedom score is 76.3, making its economy the 11th freest in the 2015 Index. Its overall score is up by 0.2 point from last year, with improvements in six of the 10 economic freedoms, including monetary freedom and property rights, partially offset by declines in financial freedom and freedom from corruption. Denmark is ranked 4th out of 43 countries in the Europe region.

Although economic freedom in Denmark has generally flourished in the past, the recent eurozone crisis has taken a toll. Over the past half-decade, Denmark’s economic freedom score has declined by 2.3 points. Contributing to this decrease have been declines in half of the 10 economic freedom factors, including freedom from corruption, fiscal freedom, government spending, business freedom, and financial freedom.

Negative growth rates in recent years have put intense pressure on government finances, with Denmark’s government spending score declining by nearly 18 points since 2011. Nevertheless, economic freedom continues to flourish in one of Europe’s most stable economies. The rule of law and property rights are well entrenched, and the economy is open to global trade and investment.

BACKGROUND: Social Democrat Prime Minister Helle Thorning-Schmidt heads a center-left coalition that defeated Prime Minister Lars Løkke Rasmussen in the September 2011 parliamentary elections. She is Denmark’s first female prime minister. Denmark has been a member of the European Union since 1973. Its economy depends heavily on foreign trade, and the private sector includes many small and medium-size companies. Increased immigration spurred by the 2011 uprisings in North Africa has led the government to consider more restrictive immigration laws. Although not party to the euro, Denmark has felt the impact of the European economic crisis. Economic growth has been sluggish, though unemployment remains relatively low. There are no significant natural resources, and the economy relies almost totally on services.
Levels of corruption are generally very low in Denmark, which was tied with New Zealand for first place out of 177 countries surveyed in Transparency International’s 2013 Corruption Perceptions Index. Protections for property rights are strongly enforced, and an independent and fair judicial system is institutionalized throughout the economy. Intellectual property rights are respected, and enforcement is consistent with world standards.

Denmark’s top individual income tax rate is 56.0 percent, and its top corporate tax rate is down slightly at 24.5 percent. Other taxes include a value-added tax and an inheritance tax. The overall tax burden equals 48.0 percent of the domestic economy. Government spending amounts to 57.2 percent of gross domestic product, and public debt is equivalent to 45 percent of GDP.

The overall regulatory environment remains one of the world’s most transparent and efficient. Minimum capital requirements for limited liability companies have been reduced, and launching a business involves only four procedures. Flexible and modern employment regulations sustain the labor market. Monetary stability is well established, but rents are controlled and medications are heavily subsidized. Green energy subsidies were cut in 2013.

EU members have a 1.0 percent average tariff rate. Some non-tariff barriers exist, but the EU is relatively open to external trade. Denmark is very open to foreign investment and generally treats foreign and domestic investors equally under the law. The modern and diversified financial sector has undergone some instability, with several banks performing poorly. The three largest banks account for over half of total banking assets.

Long-Term Score Change (since 1996)