

World Rank: **8**

Regional Rank: **3**

Denmark's economic freedom score is 78.6, making its economy the 8th freest in the 2011 *Index*. Its overall score is 0.7 point higher than last year, reflecting improvements in fiscal freedom, business freedom, and monetary freedom. Denmark is ranked 3rd out of 43 countries in the Europe region, and its overall score is well above the regional average.

With its economy open to global trade and investment, Denmark is among the world leaders in business freedom, investment freedom, financial freedom, property rights, and freedom from corruption. The overall regulatory and legal environment, transparent and efficient, encourages entrepreneurial activity. Banking is guided by sensible regulations and prudent lending practices. Monetary stability is well maintained, with inflationary pressures under control. The judicial system, independent and free of corruption, provides strong protection of property rights.

Denmark's scores in fiscal freedom and government spending remain lower than world averages. Although the corporate tax rate is competitive, the overall tax burden remains heavy. Despite a decade of gradual decline, total government spending is more than half of GDP.

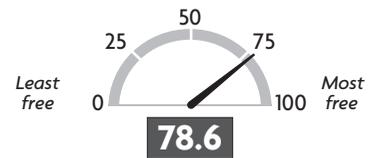
BACKGROUND: Denmark's strong economy depends heavily on foreign trade, and the private sector is characterized by many small and medium-size companies. The historically large welfare state, though strongly supported by the population, is the subject of increasing concern as its burden on the overall economy becomes more difficult to sustain. Concerns about immigration have surfaced in recent years, and relations between Denmark and the Muslim world have been precarious since September 2005 when several cartoon caricatures of the Prophet Muhammad were printed in Danish newspapers. Turkey attempted to block Danish Prime Minister Anders Fogh Rasmussen's appointment as Secretary General of NATO in April 2009 because of the scandal but conceded after U.S.-brokered concessions were offered to Ankara. Lars Rasmussen became Prime Minister in 2009 at the head of a continuing right-of-center coalition.

How Do We Measure Economic Freedom?

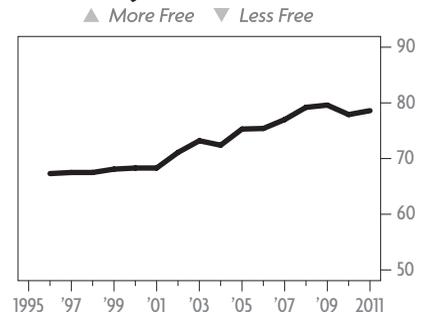
See page 447 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

DENMARK

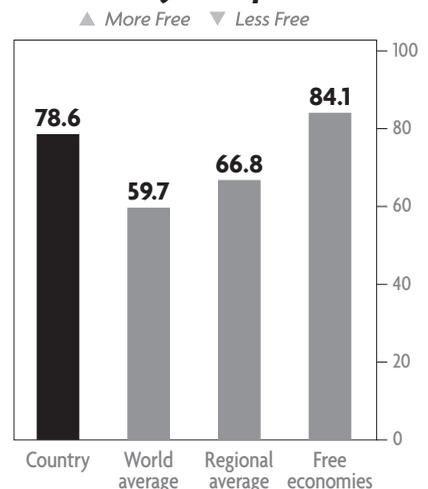
Economic Freedom Score



Country's Score Over Time



Country Comparisons



Quick Facts

Population: 5.5 million
GDP (PPP): \$197.1 billion
 -5.1% growth in 2009
 -0.3% 5-year compound annual growth
 \$35,757 per capita
Unemployment: 6.0%
Inflation (CPI): 1.3%
FDI Inflow: \$7.8 billion

2009 data unless otherwise noted.
 Data compiled as of September 2010.

THE TEN ECONOMIC FREEDOMS

BUSINESS FREEDOM: 99.7 + 1.8

Denmark’s regulatory environment allows the processes of business formation and operation to be among the world’s most efficient and dynamic. The business framework is highly conducive to innovation and productivity growth.

TRADE FREEDOM: 87.6 + 0.1

Denmark has been a leading opponent of trade barriers as a member of the European Union. The common EU weighted average tariff rate was 1.2 percent in 2009. However, the EU has high or escalating tariffs for agricultural and manufacturing products, and its MFN tariff code is complex. Non-tariff barriers reflected in EU and Danish policy include agricultural and manufacturing subsidies, quotas, import restrictions and bans for some goods and services, market access restrictions in some services sectors, non-transparent and restrictive regulations and standards, and inconsistent regulatory and customs administration among EU members. Ten points were deducted from Denmark’s trade freedom score to account for non-tariff barriers.

FISCAL FREEDOM: 43.2 + 7.3

Denmark has a very high income tax rate and a moderate corporate tax rate. The top income tax rate was lowered from 59 percent to 51.5 percent in January 2010. The top corporate tax rate is 25 percent. County municipal taxes range from 22.7 percent to 27.8 percent. State taxes vary from 5 percent to 15 percent. An 8 percent health tax and an optional church tax of up to 1.5 percent are also applicable. Other taxes include a value-added tax (VAT) and a vehicle tax. In the most recent year, overall tax revenue as a percentage of GDP fell slightly to 49 percent.

GOVERNMENT SPENDING: 19.5 - 2.5

Most industries and businesses are now in private hands, though plans to privatize DONG Energy have been abandoned. Total government expenditures, including consumption and transfer payments, are very high. In the most recent year, government spending equaled 51.8 percent of GDP. The deficit stands at 2.8 percent of GDP. Some efforts have been made to reduce or consolidate public expenditures, including cutting the length of unemployment benefits from four years to two years and improving budget coordination among national, regional, and municipal authorities.

MONETARY FREEDOM: 81.4 + 2.1

Inflation has been low, averaging 1.9 percent between 2007 and 2009. As a participant in the EU’s Common Agricultural Policy, the government subsidizes agricultural production, distorting the prices of agricultural products. Medications are heavily subsidized, and rents are generally fixed by law. Ten points were deducted from Denmark’s monetary freedom score to account for policies that distort domestic prices.

COUNTRY’S WORLD RANKINGS

Business Freedom	No. 2	Investment Freedom	No. 2
Trade Freedom	No. 12	Financial Freedom	No. 1
Fiscal Freedom	No. 176	Property Rights	No. 2
Government Spending	No. 169	Freedom from Corruption	No. 2
Monetary Freedom	No. 26	Labor Freedom	No. 6

INVESTMENT FREEDOM: 90 no change

With a few exceptions, foreign direct investment is not restricted or prescreened. The investment code is relatively transparent, as are legal and regulatory procedures. There are no restrictions on converting or transferring investment-associated funds into or out of Denmark. EU citizens and companies from EU member states may purchase any type of real estate (except vacation properties) without prior authorization; non-EU citizens and companies not previously based in Denmark for at least five years need government permission.

FINANCIAL FREEDOM: 90 no change

Denmark’s financial system is competitive, though the two largest banks account for about 75 percent of assets. No banks are state-owned, and the central bank is independent. Supervision and regulation are based on EU legislation. The securities market is highly developed, and the bond market is one of the world’s largest. The global financial turmoil caused the collapse of several small and medium-sized banks. In response to the crisis, the parliament passed legislation calling for a joint financing program by private banks and the government. Relatively prudent lending in a sound regulatory framework has enabled Denmark to weather the crisis with resilience.

PROPERTY RIGHTS: 90 no change

The judiciary is independent and generally fair and efficient. Commercial and bankruptcy laws are consistently applied, and secured interests in property are recognized and enforced. Denmark adheres to key international conventions and treaties on the protection of intellectual property rights.

FREEDOM FROM CORRUPTION: 93 no change

Denmark is ranked 2nd out of 180 countries in Transparency International’s Corruption Perceptions Index for 2009. Denmark has signed the OECD Anti-Bribery Convention. The Public Prosecutor for Serious Economic Crime has investigated the involvement of Danish firms in the U.N. Oil-for-Food scandal.

LABOR FREEDOM: 92.1 - 1.6

Flexible and modern labor regulations enhance employment opportunities and productivity growth. The non-salary cost of employing a worker is low, and the severance payment system is relatively inexpensive.