

# DENMARK

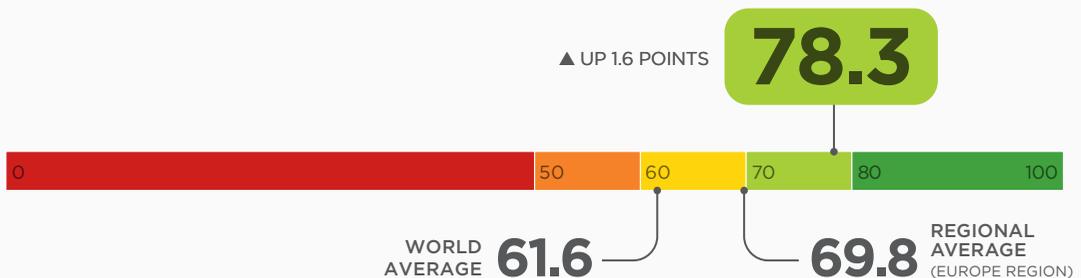
Denmark's economic freedom score is 78.3, making its economy the 8th freest in the 2020 *Index*. Its overall score has increased by 1.6 points, led by increases in scores for **government integrity** and **judicial effectiveness**. Denmark is ranked 4th among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

Denmark's economy has been in the mostly free category for 19 years but still has not broken through to the top ranks of the free. The reasons are excessive government spending and a tax burden that is simply too heavy. Those two problems may explain why GDP growth over the past five years has been modest.

Unfortunately, the government is going in the opposite direction from what is needed: toward much heavier spending, funded by higher taxes, to reduce carbon emissions and expand an already large welfare state.

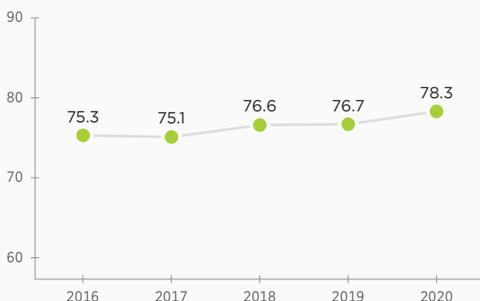


## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +11.0

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
5.8 million

**GDP (PPP):**  
\$301.3 billion  
1.2% growth in 2018  
5-year compound annual growth 2.0%  
\$52,121 per capita

**UNEMPLOYMENT:**  
5.0%

**INFLATION (CPI):**  
0.7%

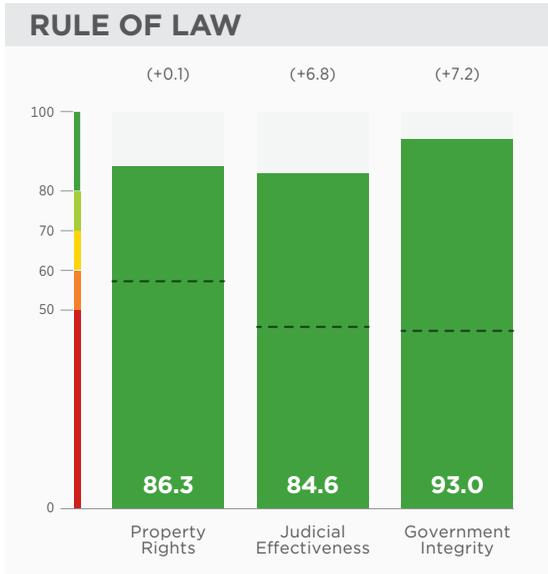
**FDI INFLOW:**  
\$1.8 billion

**PUBLIC DEBT:**  
34.3% of GDP

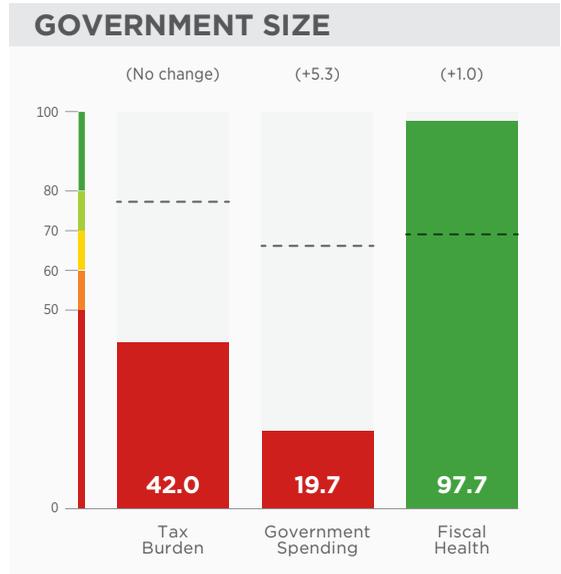
2018 data unless otherwise noted. Data compiled as of September 2019

**BACKGROUND:** Denmark, a modern economy well integrated into the global marketplace, has been a member of the European Union since 1973. Mette Frederiksen of the center-left Social Democratic Party became the country's youngest prime minister after forming a one-party minority government in June 2019. To pass legislation, she will rely on support from three leftist parties: the Socialist People's Party, the Red-Green Alliance, and the Social-Liberal Party. The Social Democrats campaigned to ease austerity measures, increase welfare spending, and cut greenhouse gas emissions. Denmark's migration policies are not expected to change. The economy depends heavily on foreign trade, and the private sector includes many small and medium-size companies with world-leading firms in pharmaceuticals, maritime shipping, and processed foods.

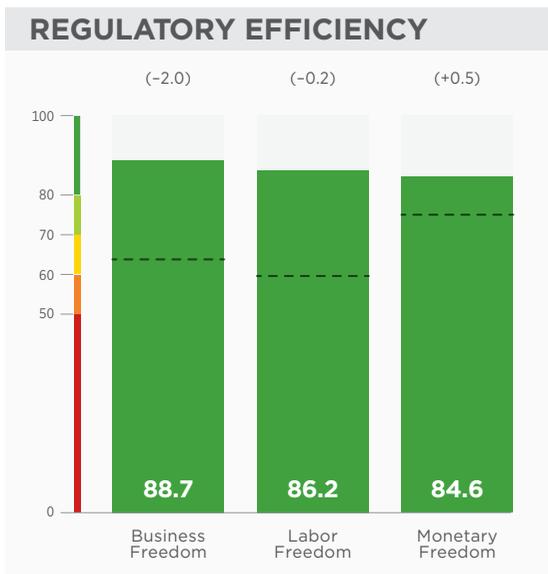
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Protections for property rights are strongly enforced, with a trustworthy, independent, and fair judicial system institutionalized throughout the economy. Intellectual property rights are respected, and enforcement is consistent with world standards. Long known as one of the world's least corrupt nations, Denmark was ranked first out of 180 countries in Transparency International's 2018 *Corruption Perceptions Index*.



The top personal income tax rate is 56 percent, and the top corporate tax rate is 23.5 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 46.0 percent of total domestic income. Government spending has amounted to 51.7 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 0.3 percent of GDP. Public debt is equivalent to 34.3 percent of GDP.



Denmark boasts one of the world's most attractive business environments, characterized by economic, political, and regulatory soundness. Danish labor laws generally allow employers to adjust their workforces rapidly in response to changing market conditions. The public sector accounts for about 25 percent of all employment. Denmark's first offshore, subsidy-free wind farm opened in 2019.



The total value of exports and imports of goods and services equals 104.0 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Denmark has an additional 15 country-specific nontariff barriers. Open-market policies that sustain competitiveness facilitate large flows of investment. The financial sector is well institutionalized and resilient.