DENMARK

Denmark's economic freedom score is 78.0, making its economy the 10th freest in the 2022 Index. Denmark is ranked 7th among 45 countries in the Europe region, and its overall score is above the regional and world averages.

Over the past five years, Denmark’s economic growth slowed from 2017 to 2019, accelerated slightly in 2019, turned negative in 2020, and rebounded in 2021. A five-year trend of expanding economic freedom has advanced. Led by robust score increases in rule of law, Denmark has recorded a 2.9-point overall gain of economic freedom since 2017 and has climbed higher among the “Mostly Free” countries. Fiscal health and business freedom are strong, but the score for government spending exhibits weakness.

IMPACT OF COVID-19: As of December 1, 2021, 33,186 deaths had been attributed to the pandemic in Denmark, and the government’s response to the crisis ranked 77th among the countries included in this Index in terms of its stringency. The economy contracted by 3.3 percent in 2020.

BACKGROUND: With a modern economy that is well integrated into the global marketplace, Denmark has been a member of the European Union since 1973. Mette Frederiksen of the center-left Social Democratic Party is the country’s youngest prime minister and leads a one-party minority government that relies on support from three leftist parties to pass legislation. The Danish public supports a continued tightening of immigration policy with an emphasis on assimilation as pursued by consecutive governments. The government has introduced ambitious greenhouse gas targets and is seeking new taxes on CO2 emissions. 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.
Property rights are well protected by law and strongly enforced, and a trustworthy, independent, and fair judicial system is institutionalized throughout the economy. Intellectual property rights are respected, and enforcement is consistent with world standards. Denmark enjoys a reputation as one of the world’s least corrupt nations and was ranked 1st out of 180 countries in Transparency International’s 2020 Corruption Perceptions Index.

The top individual income tax rate is 56 percent, and the top corporate tax rate is 22 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 46.3 percent of total domestic income. Government spending has amounted to 51.3 percent of total output (GDP) over the past three years, and budget surpluses have averaged 0.3 percent of GDP. Public debt is equivalent to 43.4 percent of GDP.

Business regulations are clearly defined and easily understood. The entrepreneurial spirit flows freely in Denmark. Wage and labor conditions are generally established through collective bargaining, and union members comprise 75 percent of the labor force. A government commission determined that higher subsidies to fund a massive increase in the number of electric vehicles would result in a substantial net loss to Danish society.

As a member of the EU, Denmark has 46 preferential trade agreements in force. The trade-weighted average tariff rate (common among EU members) is 2.9 percent with 640 EU-mandated nontariff measures in force. Denmark has an additional 26 country-specific nontariff barriers. Open-market policies that sustain competitiveness facilitate large flows of investment. The financial sector is well institutionalized and resilient.