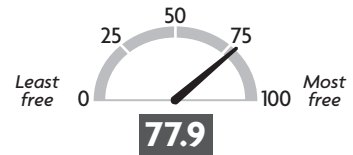


DENMARK

Economic Freedom Score



World Rank: **9**

Regional Rank: **3**

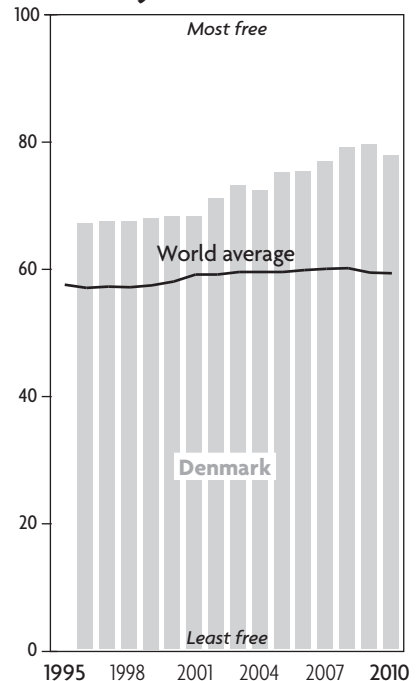
Denmark's economic freedom score is 77.9, making its economy the 9th freest in the 2010 *Index*. Its overall score is 1.7 points lower than last year, due mainly to reduced scores in monetary freedom, property rights, and labor freedom. Denmark is now ranked 3rd freest among the 43 countries in the European region, and its overall score is well above the regional average.

Denmark's modern and competitive economy performs well on many of the 10 economic freedoms, enhancing entrepreneurship and macroeconomic stability. The country has a strong tradition of openness to global trade and investment, and transparent and efficient regulations are applied evenly in most cases. Denmark also boasts an efficient, independent judiciary that protects property rights, and the level of corruption is extraordinarily low. The financial sector is competitive, and its efficiency is supported by prudent lending practices and sound oversight. The impact of the global financial crisis on the banking sector has been relatively small.

Two significant weaknesses continue to hold down Denmark's overall economic freedom. Despite a gradual decline over the past years, government spending remains over 50 percent of GDP. While the corporate tax rate is moderate, personal income taxes are very high, and the overall tax burden is significant.

BACKGROUND: Denmark's strong economy depends heavily on foreign trade, and the private sector is characterized by many small and medium-size companies. A large welfare state provides public education, lifelong health care coverage, and subsidized care for children and the elderly. Relations between Denmark and the Muslim world have been precarious ever since September 2005 when several cartoon caricatures of the Prophet Muhammad were printed in Danish newspapers. Prime Minister Anders Fogh Rasmussen resigned in April 2009 to become Secretary General of NATO and was succeeded as prime minister by former Minister of Finance Lars Løkke Rasmussen.

Country's Score Over Time



Quick Facts

Population: 5.5 million

GDP (PPP): \$201.2 billion

-1.1% growth in 2008

1.6% 5-year compound annual growth

\$36,607 per capita

Unemployment: 3.3%

Inflation (CPI): 3.4%

FDI Inflow: \$10.9 billion

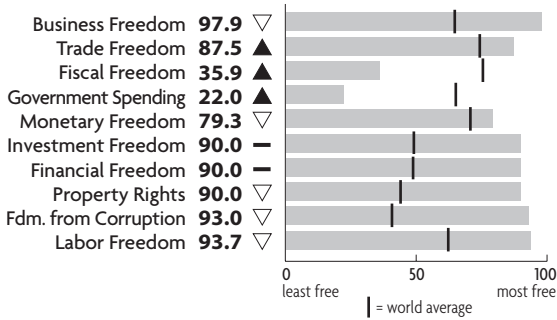
2008 data unless otherwise noted

Data compiled as of September 2009

How Do We Measure Economic Freedom?

See page 457 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

DENMARK'S TEN ECONOMIC FREEDOMS



BUSINESS FREEDOM — 97.9

The overall freedom to start, operate, and close a business is well protected under Denmark's regulatory environment. Starting a business takes an average of six days, compared to the world average of 35 days. Obtaining a business license requires much less than the world average of 18 procedures and 218 days.

TRADE FREEDOM — 87.5

Denmark's trade policy is the same as that of other members of the European Union. The common EU weighted average tariff rate was 1.3 percent in 2008. 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. The lack of transparency in pharmaceuticals regulation exceeds EU policy. Ten points were deducted from Denmark's trade freedom score to account for non-tariff barriers.

FISCAL FREEDOM — 35.9

Denmark has a very high income tax rate and a moderate corporate tax rate. The top income tax rate of 59 percent is scheduled to be lowered 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. Other taxes include a value-added tax (VAT), a vehicle tax, and an 8 percent health tax. In the most recent year, overall tax revenue as a percentage of GDP was 49.5 percent.

GOVERNMENT SPENDING — 22

Total government expenditures, including consumption and transfer payments, are very high. In the most recent year, government spending equaled 51 percent of GDP. Most industries and businesses are now in private hands.

MONETARY FREEDOM — 79.3

Inflation has been relatively low, averaging 2.9 percent between 2006 and 2008. As a participant in the EU's Com-

mon 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.

INVESTMENT FREEDOM — 90

As a rule, foreign direct investment is not restricted or prescreened, but Denmark restricts the establishment of companies that provide legal, accounting, auditing, and medical services. The investment code is relatively transparent, and bureaucracy is streamlined and transparent. Incentive financing is available to foreign and domestic businesses. 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

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 October 2008, the parliament passed legislation calling for a joint financing program by private banks and the government. As a result of relatively prudent lending in a sound regulatory framework, Denmark has weathered the financial crisis with resilience.

PROPERTY RIGHTS — 90

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

Denmark (along with two other countries) is ranked 1st out of 179 countries in Transparency International's Corruption Perceptions Index for 2008 for the second year in a row. 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 — 93.7

Flexible labor regulations enhance employment opportunities and productivity growth. The non-salary cost of employing a worker is low, and dismissing an employee is relatively easy and inexpensive.