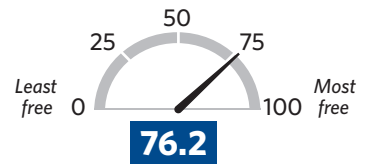


DENMARK

Economic Freedom Score



World Rank: **11**

Regional Rank: **3**

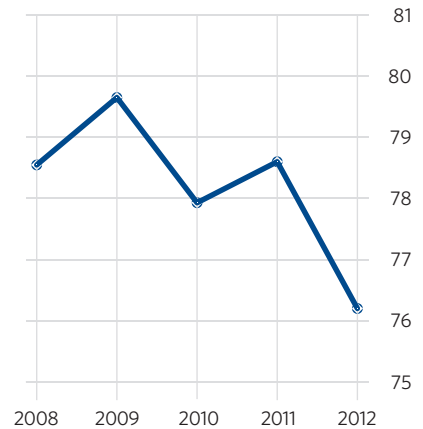
Denmark's economic freedom score is 76.2, making its economy the 11th freest in the 2012 *Index*. Its overall score is 2.4 points lower than last year, reflecting considerable deterioration in public finance management. Denmark is ranked 3rd out of 43 countries in the Europe region, and while its overall score remains well above average, the country has dropped out of the top 10 in the rankings.

Denmark's foundations of economic freedom are solid. The judicial system, independent and free of corruption, provides strong protection of property rights. Lower scores in fiscal freedom and government spending, already far below world averages, indicate further weakening of respect for the principle of limited government. Although the corporate tax rate is competitive, the overall tax burden remains heavy. Government spending still accounts for over half of GDP.

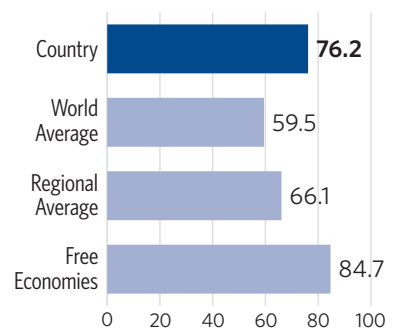
With its economy open to global trade and investment, Denmark benefits from high degrees of business freedom, investment freedom, and financial freedom. The overall regulatory environment, transparent and efficient, encourages entrepreneurial activity. The banking sector has been under stress but remains guided by sensible regulations. Monetary stability is well maintained, and inflationary pressures are under control.

BACKGROUND: Denmark is a constitutional democracy. Lars Løkke Rasmussen, heading a center-right coalition, became prime minister in 2009 when then-Prime Minister Anders Fogh Rasmussen became Secretary General of NATO. Denmark's strong economy depends heavily on foreign trade, and the private sector is characterized by many small and medium-size companies. Denmark joined the European Union (then the EEC) in 1973 but has opted out of several EU programs including membership in the euro zone. Immigration has been a growing concern, and increased immigration spurred by the 2011 uprisings in North Africa has caused the government to consider more restrictive immigration laws. This adds to already strained relations with the Muslim world following the controversy surrounding publication of cartoons caricaturing the Prophet Muhammad in Danish newspapers in 2005, which caused widespread outrage among Muslims.

Freedom Trend



Country Comparisons



Quick Facts

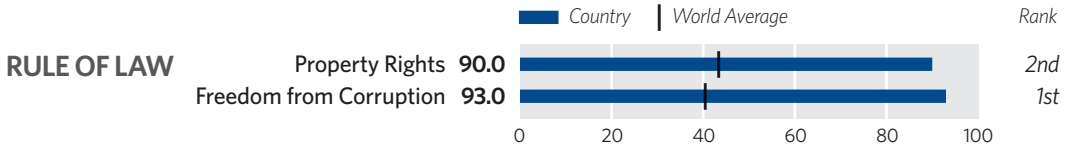
Population: 5.5 million
GDP (PPP): \$201.7 billion
 2.1% growth in 2010
 5-year compound annual growth 0.1%
 \$36,450 per capita
Unemployment: 7.2%
Inflation (CPI): 2.3%
FDI Inflow: -\$1.8 billion
Public Debt: 43.7% of GDP

How Do We Measure Economic Freedom?

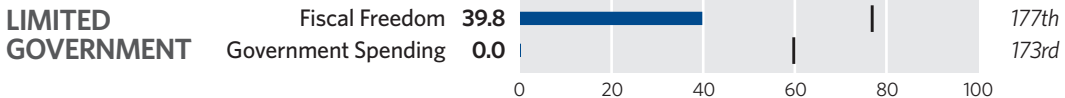
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
 Data compiled as of September 2011.

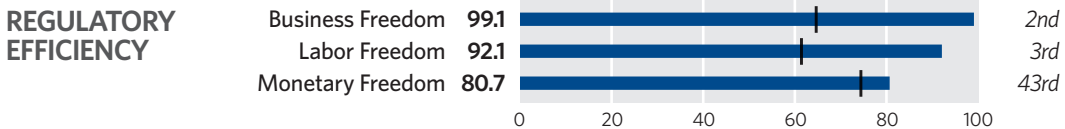
THE TEN ECONOMIC FREEDOMS



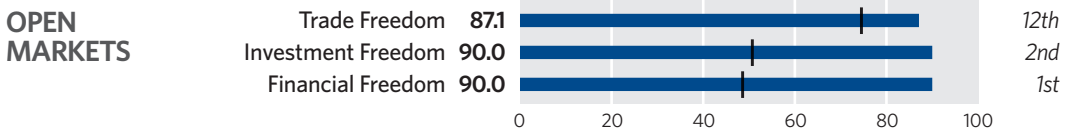
Protections for property rights are strongly enforced, with an independent and fair judicial system institutionalized throughout the economy. Commercial and bankruptcy laws are applied consistently. Intellectual property rights are well respected, and enforcement is consistent with world standards. Effective anti-corruption measures discourage bribery of public officials and uphold the integrity of government.



The top income tax rate is 55.4 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax (VAT) and the world's first tax on fatty foods. The overall tax burden is almost 50 percent of total domestic income. Amounting to more than 55 percent of GDP, government spending is extremely high. The budget has run a small deficit, but public debt remains below 50 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 takes fewer days and procedures than world averages. Flexible and modern employment regulations sustain the labor market. Monetary stability has been well established. Medications are heavily subsidized, and rents are generally fixed by law.



Denmark's trade regime, similar to that of other EU members, is fairly competitive and promotes the dynamic growth of trade. Denmark continues to be one of the world's most open economies with respect to foreign investment, and the investment code is transparent and efficiently administered. The modern and diversified financial sector has been undergoing a period of instability, with a number of banks performing poorly.

Score Changes

RULE OF LAW	LIMITED GOVERNMENT	REGULATORY EFFICIENCY	OPEN MARKETS
Property Rights	Fiscal Freedom	Business Freedom	Trade Freedom
Freedom from Corruption	Government Spending	Labor Freedom	Investment Freedom
		Monetary Freedom	Financial Freedom
0	-3.4	-0.6	-0.5
0	-19.5	0	0
		-0.7	0