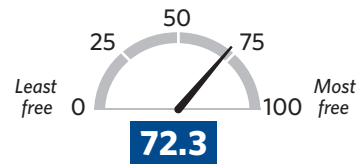


FINLAND

Economic Freedom Score



World Rank: **17** Regional Rank: **8**

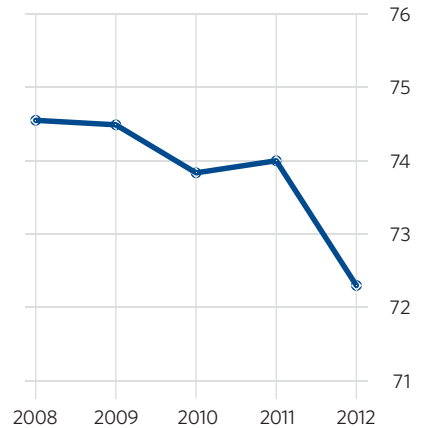
Finland's economic freedom score is 72.3, making its economy the 17th freest in the 2012 *Index*. Its score is 1.7 points worse than last year, with considerable deterioration in the management of government spending. Finland is ranked 8th out of 43 countries in the Europe region, and its overall score is well above the world average.

The strong competitiveness of Finland's economy is built on openness and transparency. The quality of the legal framework is among the world's highest, providing effective protection of property rights. The rule of law is well maintained, and a strong tradition of minimum tolerance for corruption continues. Although public debt remains under control, respect for the principle of limited government has been seriously undercut by heavy public spending that amounts to more than half of total domestic output.

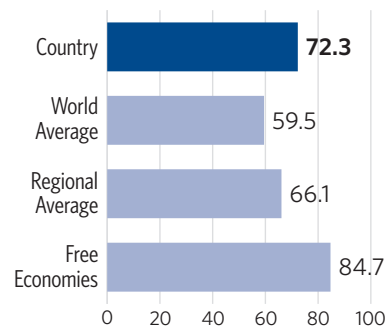
As reflected in high ratings across key policy areas, the Finnish economy has long benefited from open-market policies that support dynamic trade and investment. The regulatory environment encourages entrepreneurial activity and innovation, sustaining a high degree of overall competitiveness.

BACKGROUND: In April 2011, the National Coalition Party formed a six-party governing coalition that excluded Timo Soini's True Finn Party, despite True Finn's having won the second-highest vote in the parliamentary elections. The True Finns are opposed to euro-zone bailouts and stress the need for immigration reform. Finland became a member of NATO's Partnership for Peace program in 1994 and sits on the Euro-Atlantic Council but has not pursued full NATO membership because of its neutral military status. The country joined the European Union in 1995 and adopted the euro as its currency in 1999. Finland is sparsely populated, with about one-fourth of its land mass above the Arctic Circle, but boasts a modern and competitive economy with vibrant information and communications technology sectors.

Freedom Trend



Country Comparisons



Quick Facts

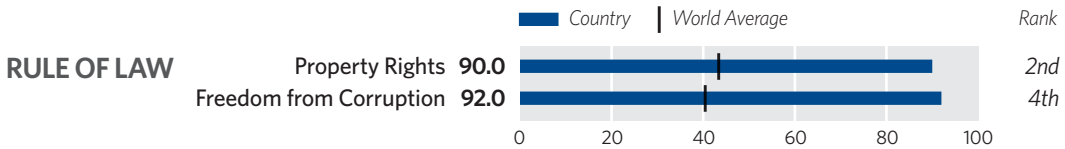
- Population:** 5.4 million
- GDP (PPP):** \$186.0 billion
- 3.1% growth in 2010
- 5-year compound annual growth 1.0%
- \$34,585 per capita
- Unemployment:** 8.4%
- Inflation (CPI):** 1.7%
- FDI Inflow:** \$4.3 billion
- Public Debt:** 48.4% of GDP

How Do We Measure Economic Freedom?

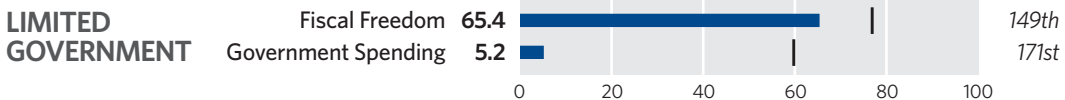
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

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

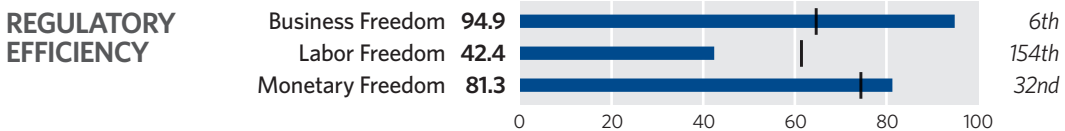
THE TEN ECONOMIC FREEDOMS



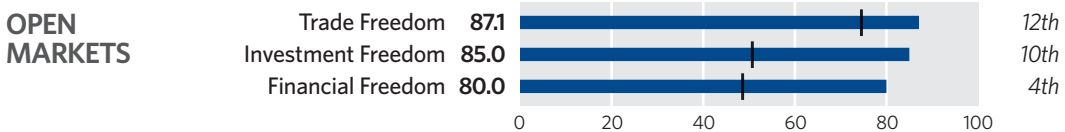
Property rights are well protected, and contractual agreements are strictly honored. The quality of the judiciary is generally high. Finland adheres to numerous international agreements concerning the protection of intellectual property. Maintaining a high degree of transparency has been a key part of Finland’s institutional strength. Effective anti-corruption measures have helped to uphold clean government.



The top income tax rate is 30.5 percent, and the top corporate tax rate is 26 percent. Other taxes include a value-added tax (VAT) and a flat 28 percent tax on capital income, with the overall tax burden equal to 43.1 percent of total domestic income. Government spending has risen to 56.2 percent of GDP, and the budget has been in deficit in recent years. Public debt remains under control, although it has increased to 48.4 percent of GDP.



The efficient business framework is conducive to innovation and productivity growth. Starting a company takes less than the world averages of seven procedures and 30 days. The labor market is characterized by high costs and burdensome regulations. The non-salary cost of employing a worker is high, and the severance payment system remains costly. Monetary stability has been well maintained.



Finland’s trade policy is the same as that of other members of the European Union, with the common EU weighted average tariff rate standing at 1.4 percent. However, myriad non-tariff barriers add to the cost of trade. Investment regulations are transparent and efficient, with openness to foreign investment long established. The financial sector, buttressed by sound regulations and prudent lending practices, provides a wide range of services.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+0.1	Business Freedom	-0.1	Trade Freedom	-0.5
Freedom from Corruption	+3.0	Government Spending	-21.3	Labor Freedom	+1.0	Investment Freedom	0
				Monetary Freedom	+0.6	Financial Freedom	0