

Denmark Topples Switzerland From Throne of World's Most Competitive Country

Source: Neue Zürcher Zeitung

In the annual ranking of the world's most competitive countries by the International Institute for Management Development (IMD), Denmark comes out on top for the first time. The deciding factors were entrepreneurial agility, digitalization, and sustainability.

Denmark is at the top for the first time
The top ten in the IMD World Competitiveness Ranking 2020 - 2022

2022	2021	2020
Denmark	Switzerland	Singapore
Switzerland	Sweden	Denmark
Singapore	Denmark	Switzerland
Sweden	Netherlands	Netherlands
Hong Kong	Singapore	Hong Kong
Netherlands	Norway	Sweden
Taiwan	Hong Kong	Norway
Finland	Taiwan	Canada
Norway	United Arab Emirates	United Arab Emirates
USA	USA	USA

An efficient and internationally well-connected economy, a well-functioning state of manageable size, and a white cross in the red field in the national flag: have been the hallmarks of the winner in the beauty contest for the most competitive country in the world for the last two years. The only thing that has changed is the shape of the flag: in 2022 it is no longer the square Helvetic flag, as it was last year, but the new rectangular Danish flag.

For 34 years, the renowned International Institute for Management Development (IMD), based in Lausanne and Singapore, has used extensive data sets and surveys to determine who deserves the crown in terms of economic competitiveness. Because the gross domestic product is considered too sweeping and simplistic a measure of performance, a whole series of criteria are applied in four areas. Aspects of the macroeconomic environment, the efficiency of state institutions, the corporate sector, and the quality of infrastructure are considered.

Small states are ahead

As the most digitally advanced country in the world, Denmark has reached the "top spot" with far-sighted strategies, a clear focus on social and environmental sustainability, an agile business sector, and the advantage of being a European country say a media release from the World Competitiveness Center at IMD. In the subcategories of entrepreneurial efficiency, productivity, and management quality, the country took the top spot in each case.

However, such rankings, as comprehensive as they may be, are always to be taken with a certain degree of caution. For example, the sixth place that the IMD determined for Switzerland in 2021 with regard to digital competitiveness is rather flattering when one thinks of the controversies surrounding fax communication during the Covid crisis. According to Christos Cabolis, chief economist at the World Competitiveness Centre, the handling of the Covid crisis by the countries studied is definitely an element of the assessment in terms of competitiveness.

However, more interesting than the national view of swapped ranks or the question of what Switzerland did “wrong” that it is no longer at the top is another aspect that can be gleaned from the list of the most competitive countries of the last three years: It is mainly small states that make it into the crowns here. Only the USA is stable in the top ten, but Central and Northern European countries each occupy about half of the places, complemented by the Asian economies of Singapore, Hong Kong and Taiwan.

The table shows that what a state’s small size deprives it of in terms of political weight, it can gain in terms of efficient economic structures.

And it is also remarkable that the six European countries that are at the top of the IMD statistics on competitiveness this year also appear in the top ten in a completely different ranking: the World Happiness Report.

This compilation, which is published annually under the umbrella of the UN and asks in which countries the most satisfied people live, naturally has a somewhat more difficult time than the IMD survey on competitiveness in narrowing down the topic scientifically. But the World Happiness Report also suggests that small states have something going for them when it comes to quality of life.

On the trail of the secret of success

What lies behind this is a question that scholars and publicists have also been investigating recently. The Swiss-based financial manager and author R. James Breiding, for example, published a book in 2019 entitled *Too Small To Fail*, in which he looked at what northern European countries, Switzerland or even Singapore and Taiwan do differently - and implicitly better - than others when it comes to creating sustainable state and economic structures.

And a few years earlier, a number of economists and political scientists from Denmark and Switzerland had already joined forces to find out why the two countries regularly achieve very similar results in terms of economic success, social cohesion and satisfaction among the population despite their quite different political and social systems.

The study “The Good Society” compares Denmark as a social state that taxes its citizens heavily, is comprehensively developed and centrally conceived with Switzerland as a political entity that could almost be regarded as a counter-design: organised on a federalist and grassroots democratic basis, relying more on individual responsibility than on the guiding hand of the state, but governed according to the principle of concordance and not on the basis of cabinets from changing political camps.

Both paths, the study concludes, have led to a successful society, to prosperity and contentment - the Swiss marginally wealthier, the Danes marginally happier. In both countries, functioning systems were developed for the division and control of political power and for the generally efficient allocation of economic resources. And both countries have been able to successfully adapt their economies to changing external circumstances with a combination of stability and flexibility.

Who sits where in this or that current table seems rather irrelevant in view of this finding.
