Between Dependency and Fiscal Autonomy:
Public Finance Analysis of Danish-Greenlandic Fiscal Relation

Shintaro KURACHI
(Meiji University)

Recent international attention on Greenland, notably sparked by Trump's proposal to purchase the territory, has highlighted its unique position in global politics. Beyond its abundant natural resources, Greenland's strategic location between the U.S. and Russia makes it both economically and politically significant. While Greenland maintains its status as an autonomous territory of Denmark, enjoying considerable self-governance rights distinct from other Danish regions, its relationship with Denmark remains complex and sometimes tense. The Greenlandic government's dissatisfaction with Danish support and policies has fueled ongoing discussions about potential independence. At the heart of this complexity lies a distinct sentiment among Greenlanders who, as often expressed, "want to be neither American nor Danish."

While Greenland has been extensively studied in colonial studies, postcolonial studies, and international relations contexts, with some recent works examining its economic and fiscal conditions (Høgedahl (2023), Andersen (2020)), there remains a significant gap in our understanding. Particularly, due to the limited research on Danish local public finance, the fundamental structure of intergovernmental fiscal relations remains poorly understood.

This study examines Greenland's fiscal characteristics from a public finance perspective, focusing on two major aspects. First, we analyze Greenland's fiscal dependence on the Danish government and its implications for Greenland's welfare system. We examine this through the lens of fiscal equalization, while also considering U.S. military contributions to the region. Specifically, we investigate how Greenland fits within Denmark's fiscal equalization framework by examining both horizontal fiscal equalization patterns and the allocation of special grants over time. Furthermore, we compare tax systems and social security structures between Greenland and mainland Denmark, evaluating relative welfare levels through various metrics including tax burden, revenue generation, and public expenditure levels.

Our analysis includes a comparative perspective with the Faroe Islands, Denmark's other autonomous territory. Despite their similar status, these territories exhibit marked differences. The Faroe Islands, ethnically closer to Denmark, show less inclination toward independence than Greenland. However, from a fiscal perspective, the Faroe Islands have been actively working to reduce their financial dependence on Denmark, potentially preparing for future independence. This contrast largely stems from differences in industrial structure and income levels, with the Faroese generally enjoying higher income levels than Greenland.

Our second objective is to assess the practical extent and limitations of Greenland's autonomy based on its current fiscal situation. In analyzing the degree of dependence on Danish fiscal equalization and grants, we pay particular attention to several key factors. We examine structural determinants such as demographic conditions and social criteria that position Greenland as a net recipient. Additionally, we evaluate the distribution criteria for special grants and their redistributive effects.

Through these analyses, we aim to illuminate both the reality of Greenland's current autonomy and the fiscal challenges it would face in pursuing independence. By examining these complex fiscal relationships, we hope to contribute to broader discussions about the financial prerequisites for territorial independence in the context of increasing global attention on regional autonomy.

Rerefernce

Laust Høgedahl (2023)Greenland's Economy and Labour Markets,Routledge.

Andersen,T.(2020) “FiscalRelations in the Realm of Denmark - The Case of the FaroeIslands and Greenland”la Academia Puertorriquena de Jurisprudencia yLegislacion / Puerto Rican Academy of Jurisprudence and Legislation Review 17 (2020):7-20.

Figure Comparison of Greenland and the Faroe Islands

	Greenland	Faroe Islands
Autonomy	Strengthened autonomy in 2009 (strong independence movement)	Gained autonomy in 1948 (low independence movement)
Population	Around 50,000	Around 50,000
Indigenous People	90% are Inuit	Almost all are Nordic (Scandinavian)
Major Ethnic Groups	Inuit (Kalaallisut), Danish	Faroese (North Germanic)
Language	Eskimo-Aleut language family. Both are used in government and education; young people also speak Danish.	North Germanic (similar to Icelandic). Used in schools and official institutions, but Faroese is dominant in daily life.
Financial Dependency	Heavily dependent on subsidies (Block Grant) from Denmark	Intentionally reducing dependency on Denmark
Economic Structure	Fishing, mining (rich in resources)	Fishing, seafood processing (sustainable growth focus)
Security	Presence of U.S. military bases (strategic importance)	Minimal military involvement
Public Sentiment	"We don't want to be Danish or American."	Maintaining ties with Denmark