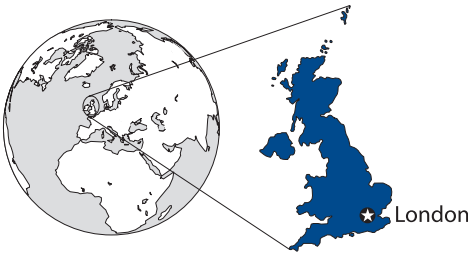


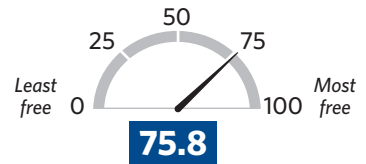
# UNITED KINGDOM



World Rank: **13**

Regional Rank: **5**

## Economic Freedom Score



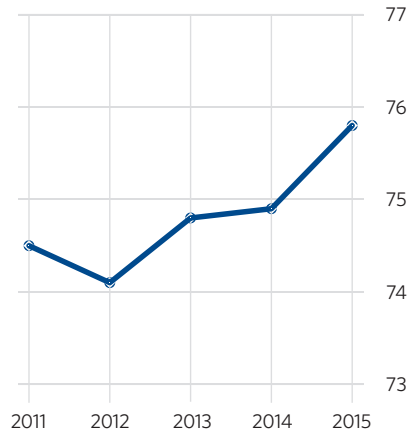
The United Kingdom's economic freedom score is 75.8, making its economy the 13th freest in the 2015 *Index*. Its score has increased by 0.9 point since last year, reflecting improvements in half of the 10 economic freedoms, including fiscal freedom and labor freedom, that outweigh declines in business freedom and freedom from corruption. The U.K. is ranked 5th out of 43 countries in the Europe region, and its overall score is above the world and regional averages.

Over the past five years, economic freedom in the U.K. has advanced by 1.3 points. Led by a sizeable improvement stemming from corporate tax rate cuts in recent years, score improvements have occurred in four of the 10 economic freedoms, including fiscal freedom and property rights.

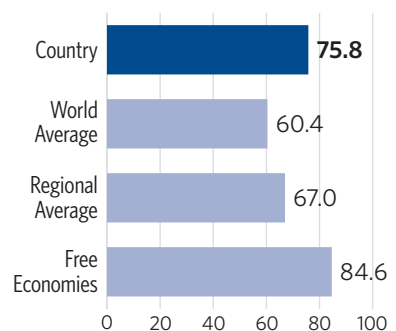
Historically a champion of economic freedom in Europe, the United Kingdom has developed its economy based on a strong rule of law, an open trading environment, and one of the world's most advanced financial sectors. A relatively liberal labor market by European standards complements one of the world's most efficient business environments. Large government spending, which still takes up nearly half of the domestic economy, has consumed resources that could have enabled additional private-sector growth.

**BACKGROUND:** Following the market reforms instituted by Prime Minister Margaret Thatcher in the 1980s, Britain experienced steady economic growth throughout the 1990s, but government spending grew significantly under successive Labour governments. Since 2010, Prime Minister David Cameron's Conservative-Liberal Democrat coalition government has made government austerity the core of its economic policy. Last year, the U.K. experienced its strongest growth since 2007. In 2014, the GDP surpassed pre-crisis levels due to bullish performances by its three main sectors: services, manufacturing, and construction. Unemployment is at a five-year low, and retail sales are robust. Euro-skepticism is on the rise in the U.K., and the United Kingdom Independence Party won the most seats in the 2014 European Parliament elections.

## Freedom Trend



## Country Comparisons



## Quick Facts

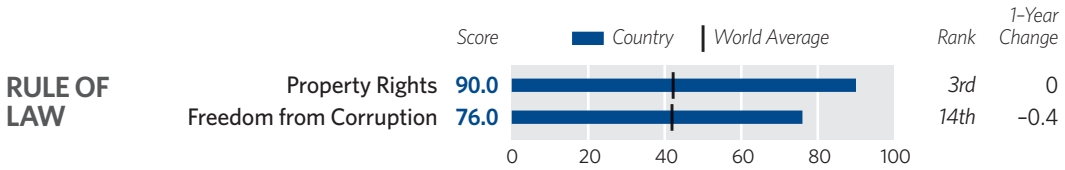
**Population:** 64.1 million  
**GDP (PPP):** \$2.4 trillion  
 1.8% growth in 2013  
 5-year compound annual growth -0.1%  
 \$37,307 per capita  
**Unemployment:** 7.5%  
**Inflation (CPI):** 2.6%  
**FDI Inflow:** \$37.1 billion  
**Public Debt:** 90.1% of GDP

### How Do We Measure Economic Freedom?

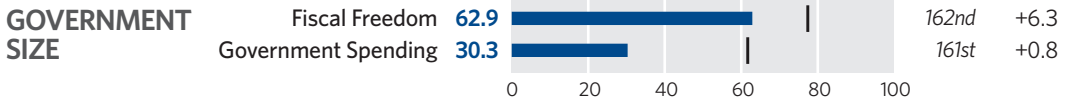
See page 475 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2013 data unless otherwise noted.  
 Data compiled as of September 2014.

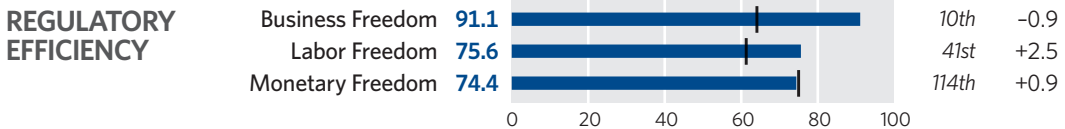
**THE TEN ECONOMIC FREEDOMS**



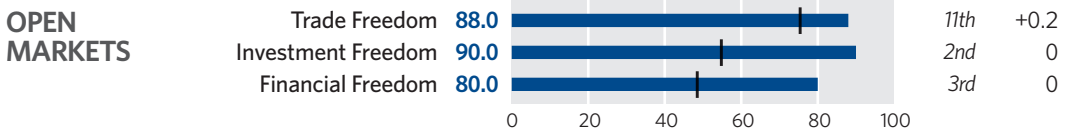
Corruption is not pervasive, although a few high-profile scandals have damaged political reputations in both major parties. The 2011 Bribery Act is considered one of the world’s most sweeping anti-bribery laws. Rule of law is well established within an independent legal framework. Private property rights and contracts are secure, and the court system is efficient. Protection of intellectual property rights is effective.



The top individual income tax rate is now 45 percent, and the top corporate tax rate is now 21 percent. Other taxes include a value-added tax and an environment tax. The overall tax burden equals 35.2 percent of the domestic economy. Public expenditures amount to 48.2 percent of domestic output, and government debt equals 90 percent of gross domestic product.



The regulatory environment is transparent. With no minimum capital required, starting a business takes six procedures and less than a week. Bankruptcy proceedings are straightforward. The labor market is relatively efficient, and non-salary costs are moderate. Inflation has fallen rapidly, reflecting the end of administered price increases, and the government has pledged to end subsidies for onshore wind farms.



EU members have a 1.0 percent average tariff rate. Although some non-tariff barriers exist, the EU is relatively open to external trade. The U.K. generally treats foreign and domestic investors equally. The government still holds substantial stakes in the banking sector but is trying to sell its shares. A bank levy applied to both domestic and foreign banks has been in place.

**Long-Term Score Change (since 1995)**

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+1.6	Business Freedom	-8.9	Trade Freedom	+10.2
Freedom from Corruption	-14.0	Government Spending	-7.0	Labor Freedom	-3.4	Investment Freedom	+20.0
				Monetary Freedom	-10.6	Financial Freedom	-10.0