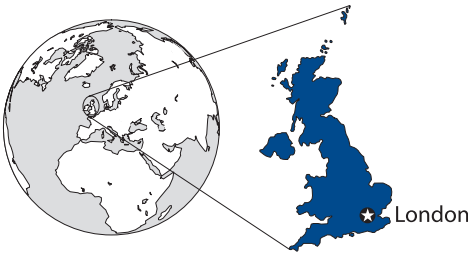


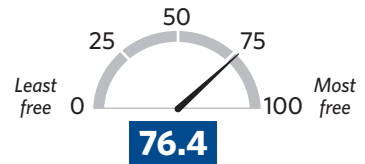
# UNITED KINGDOM



World Rank: **10**

Regional Rank: **4**

## Economic Freedom Score



**E**conomic freedom has been on an upward path in the United Kingdom over the past five years. Defying the eurozone crisis and regional uncertainty, the economy has demonstrated relatively high resilience. Disciplined fiscal adjustments have helped to restore economic dynamism, steadily reducing the budget deficit. The corporate tax has been cut from 28 percent to 20 percent.

### ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **76.4 (up 0.6 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **10th**
- Regional Ranking: **4th in Europe**
- Notable Successes: **Rule of Law, Regulatory Efficiency, and Open Markets**
- Concerns: **Management of Government Spending**
- Overall Score Change Since 2012: **+2.3**

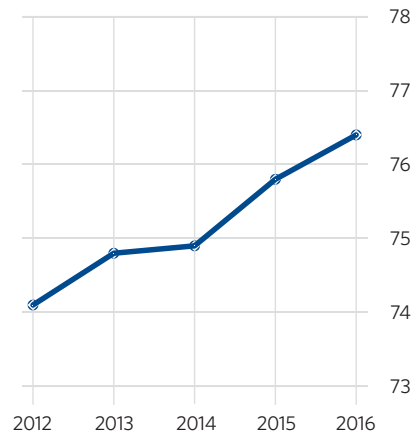
With an effectively institutionalized legal system that enforces the rule of law and guarantees security of contracts, the U.K. is able to benefit fully from open-market policies and a relatively efficient regulatory environment. The labor market is well developed and vibrant.

**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 in the 2000s. In 2010, Prime Minister David Cameron's Conservative–Liberal Democrat coalition government made shrinking state spending the core of its economic policy. In May 2015, the Conservatives won an outright majority. Since 2010, the U.K. has experienced the strongest growth in the G20 thanks to the performance of its three main economic sectors: services, manufacturing, and construction. Unemployment is at a six-year low, and retail sales are robust. Euro-skepticism is on the rise in the U.K., and the new Conservative government has pledged a referendum in 2017 on EU membership.

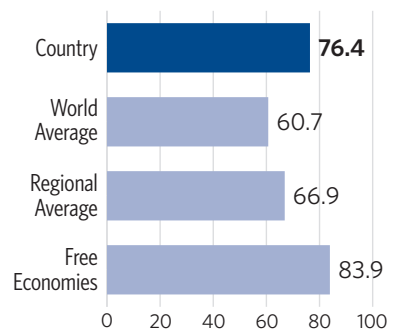
### How Do We Measure Economic Freedom?

See page 467 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

## Freedom Trend



## Country Comparisons

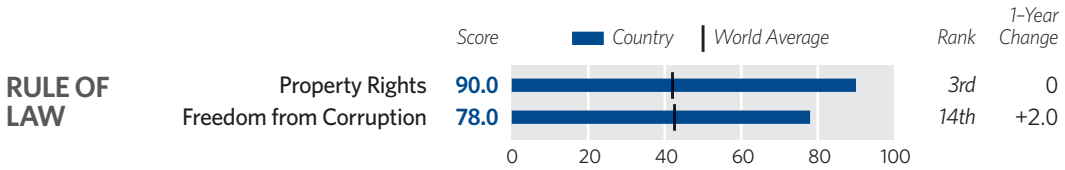


## Quick Facts

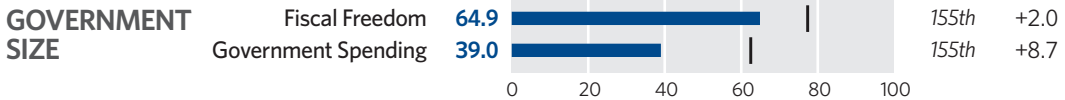
- Population:** 64.5 million
- GDP (PPP):** \$2.5 trillion
- 2.6% growth in 2014
- 5-year compound annual growth 1.7%
- \$39,511 per capita
- Unemployment:** 6.3%
- Inflation (CPI):** 1.5%
- FDI Inflow:** \$72.2 billion
- Public Debt:** 89.5% of GDP

2014 data unless otherwise noted.  
Data compiled as of September 2015.

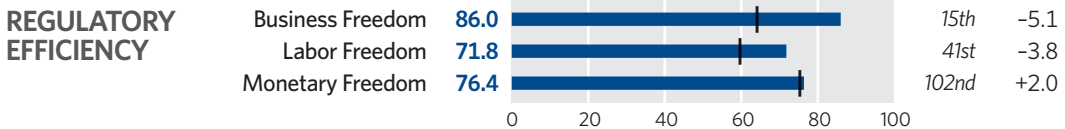
**THE TEN ECONOMIC FREEDOMS**



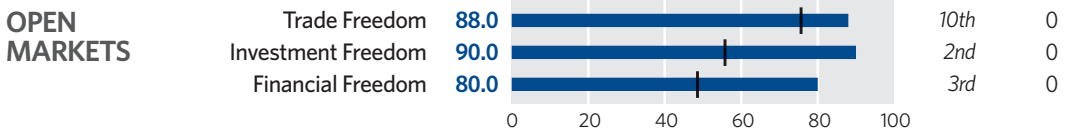
Corruption is not a major problem, although a few high-profile scandals have damaged political reputations in both major parties. The 2011 Bribery Act is considered one of the world’s most sweeping anti-bribery laws. The rule of law is well established within an independent legal framework. Private property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



The top personal income tax rate is 50 percent, and the top corporate tax rate has been reduced to 20 percent. Other taxes include a value-added tax and an environment tax. The overall tax burden equals 32.9 percent of total domestic income. Fiscal discipline has improved since 2010, and with deficits narrowing, government spending is now about 45 percent of GDP. Public debt equals about 90 percent of GDP.



The efficient and transparent regulatory framework encourages entrepreneurship. With no minimum capital required, it takes less than a week to establish a business. The labor market is relatively flexible. The non-salary cost of employing a worker is moderate, and severance payments are not overly burdensome. The government is ending subsidies to onshore wind farms earlier than originally anticipated.



EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. The United Kingdom generally treats foreign and domestic investors equally under the law. The overall stability of the financial system has been restored. The banking sector is highly competitive and offers a wide range of financial services.

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

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+3.6	Business Freedom	-14.0	Trade Freedom	+10.2
Freedom from Corruption	-12.0	Government Spending	+1.7	Labor Freedom	-7.2	Investment Freedom	+20.0
				Monetary Freedom	-8.6	Financial Freedom	-10.0