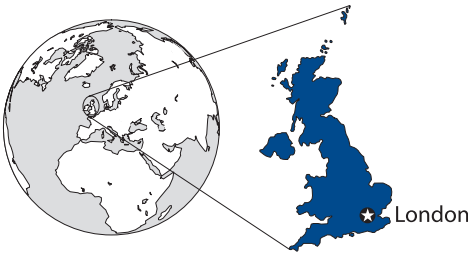


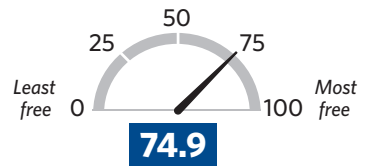
UNITED KINGDOM



World Rank: **14**

Regional Rank: **5**

Economic Freedom Score



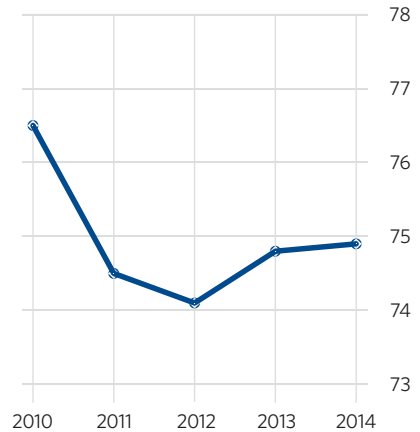
The United Kingdom's economic freedom score is 74.9, making its economy the 14th freest in the 2014 *Index*. Its score is essentially the same as last year, with modest improvements in government spending, labor freedom, monetary freedom, and trade freedom offset by deteriorations in business freedom, freedom from corruption, and fiscal freedom. The U.K. is ranked 5th out of 43 countries in the Europe region.

Over the 20-year history of the *Index*, the U.K.'s economic freedom has declined by 3 points, the second worst performance among advanced economies. Despite notable improvements in trade freedom and investment freedom, the overall gain has been offset by combined declines in the management of public finance and regulatory efficiency.

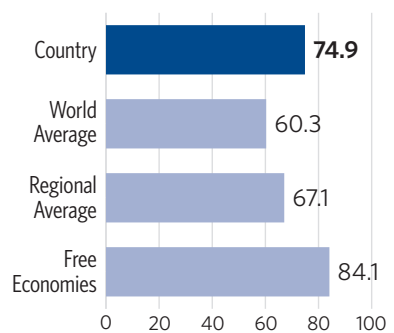
Britain's economy has been consistently rated one of the world's 20 freest. However, since 2006, when it reached its highest economic freedom score ever, the U.K. has been largely on a path of declining economic freedom. Expansionary public spending has generated significant budgetary pressure. With government debt over 90 percent of the size of the economy, underlying economic fundamentals generally remain weak.

BACKGROUND: Following the market reforms instituted by Prime Minister Margaret Thatcher in the 1980s, Britain experienced steady economic growth throughout the 1990s, but the government's size and spending grew significantly under successive Labour governments. Prime Minister David Cameron's Conservative-Liberal Democrat coalition government, formed after the 2010 general election, has cut public services but maintained spending on the National Health Service and foreign aid. The government's debt continues to increase. The economy was in recession in early 2012 but has bounced back to positive growth. Cameron vetoed Britain's participation in the European Union's Fiscal Compact in 2011 and has been at the forefront of attempts to cap the EU's annual and long-term budgets. He has also promised a referendum for 2017 on continued membership in the EU.

Freedom Trend



Country Comparisons



Quick Facts

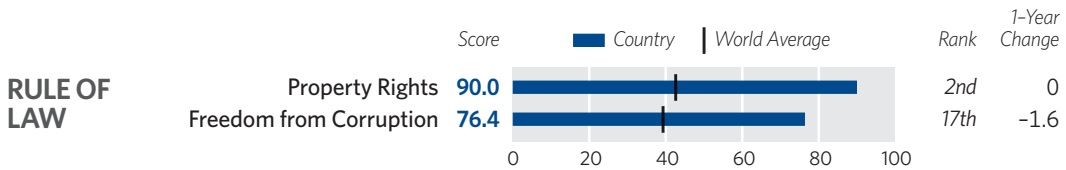
Population: 63.2 million
GDP (PPP): \$2.3 trillion
 0.2% growth in 2012
 5-year compound annual growth -0.4%
 \$36,941 per capita
Unemployment: 8.0%
Inflation (CPI): 2.8%
FDI Inflow: \$62.4 billion
Public Debt: 90.3% of GDP

How Do We Measure Economic Freedom?

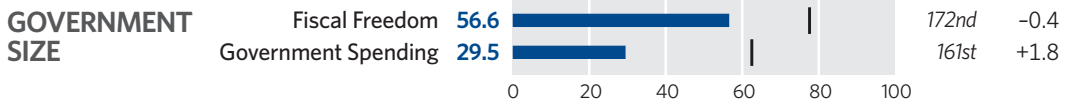
See page 471 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2012 data unless otherwise noted.
 Data compiled as of September 2013.

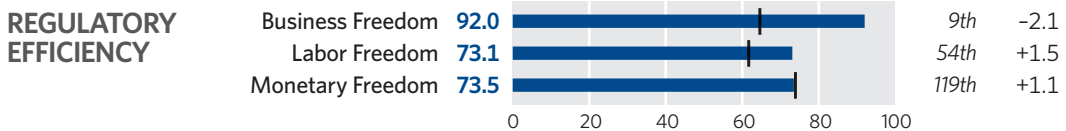
THE TEN ECONOMIC FREEDOMS



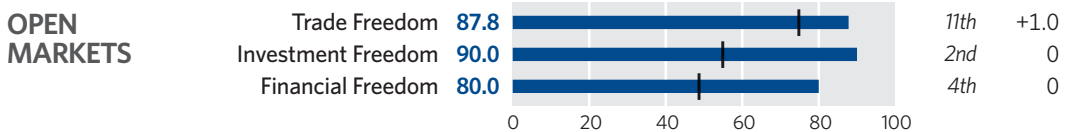
Corruption is not pervasive, but high-profile scandals have damaged political reputations in both major parties. The Bribery Act, considered one of the most sweeping anti-bribery laws in the world, came into force in 2011. The rule of law is well established within an independent legal framework. Private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



The top individual income tax rate is 50 percent, and the top corporate rate is 24 percent. Other taxes include a value-added tax (VAT) and an environment tax. The overall tax burden amounts to 35.5 percent of gross domestic income. Public expenditures have been falling to 48.5 percent of GDP. However, public debt continues to rise, surpassing 90 percent of gross domestic output.



It takes six procedures and 12 days to incorporate a business, and no minimum capital is required. However, completing licensing requirements takes almost three months. The non-salary cost of employing a worker is moderate, and severance payments are not overly burdensome. The government controls virtually all prices for health care services and will triple subsidies for low-carbon power generation by 2020.



EU members have a low 1.1 percent average tariff rate and, in general, few non-tariff barriers to trade. The United Kingdom has few limitations on foreign investment. The overall stability of the financial system has been restored. However, the state continues to hold stakes in two large banks, Royal Bank of Scotland and Lloyds. The process of selling government shares in these institutions has begun, but progress has been gradual.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	-4.7	Business Freedom	-8.0	Trade Freedom	+10.0
Freedom from Corruption	-13.6	Government Spending	-7.8	Labor Freedom	-5.9	Investment Freedom	+20.0
				Monetary Freedom	-11.5	Financial Freedom	-10.0