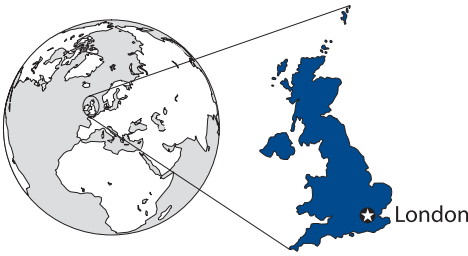


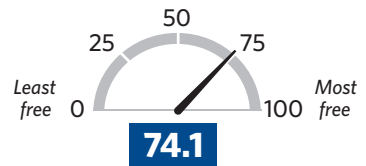
# UNITED KINGDOM



World Rank: **14**

Regional Rank: **5**

## Economic Freedom Score



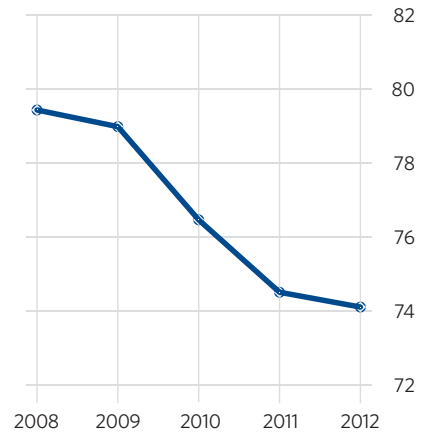
The United Kingdom's economic freedom score is 74.1, making its economy the 14th freest in the 2012 *Index*. Its score is 0.4 point lower than last year, reflecting primarily a deterioration in the management of government spending. The U.K. is ranked 5th out of 43 countries in the Europe region, and its overall score is much higher than the world average.

Struggling to emerge from the severe economic slowdown of the past three years, the British economy continues to underperform, with average annual growth of less than 1 percent over the past five years. The dramatic state expansion that had taken place in reaction to the financial turmoil has slowed, and several bold reform measures have been undertaken, including various austerity measures and a series of corporate tax rate cuts that will continue until 2014. Nonetheless, significant reforms are still needed to place the economy on a solid path of recovery, with prospects complicated further by the ongoing European sovereign debt crisis.

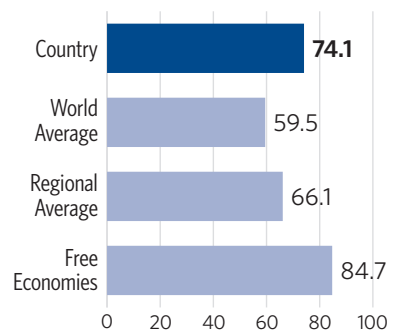
Restoring the soundness of public finances remains the most critical issue and will require a sustained commitment to downsizing government spending. The budget deficit has been over 7 percent of GDP in recent years, and public debt has risen to over 70 percent of total domestic output.

**BACKGROUND:** Following the market reforms instituted by center-right Prime Minister Margaret Thatcher in the 1980s, Britain experienced steady economic growth, outpacing other large European Union economies throughout the 1990s. However, the government's size and spending grew significantly under successive Labour governments, damaging Britain's competitive edge. The budget deficit was exacerbated by Labour's bailout of several British banks in 2008. Prime Minister David Cameron's Conservative–Liberal Democrat coalition government has made deep cuts in the national budget but has pledged not to cut spending on the National Health Service or international development. The significant costs of membership in the European Union continue to be debated, and Cameron has been at the forefront of attempts to cap the EU's annual and long-term budgets.

## Freedom Trend



## Country Comparisons



## Quick Facts

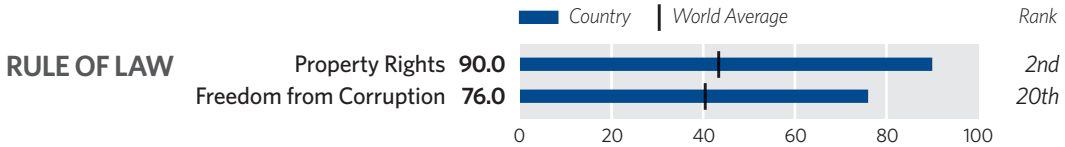
**Population:** 62.2 million  
**GDP (PPP):** \$2.1 trillion  
 1.3% growth in 2010  
 5-year compound annual growth 0.3%  
 \$34,920 per capita  
**Unemployment:** 7.9%  
**Inflation (CPI):** 3.3%  
**FDI Inflow:** \$45.9 billion  
**Public Debt:** 75.5% of GDP

### How Do We Measure Economic Freedom?

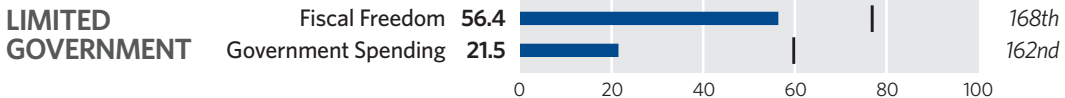
See page 455 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2010 data unless otherwise noted.  
 Data compiled as of September 2011.

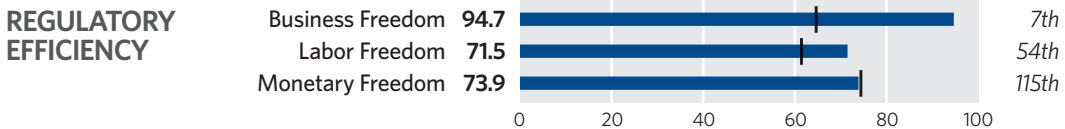
**THE TEN ECONOMIC FREEDOMS**



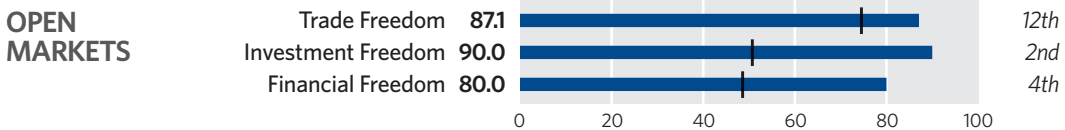
The rule of law is well established within an independent legal framework. Private property rights and contracts are very secure, and the court system is efficient. Protection of intellectual property rights is enforced effectively. Strong anti-corruption measures discourage bribery of public officials and uphold government integrity. The Bribery Act, which came into force in 2011, provides a modern legal framework to combat bribery.



The top income tax rate is 50 percent, and the top corporate tax rate has been reduced to 26 percent. Other taxes include a value-added tax (VAT) and an environmental tax. The overall tax burden amounts to 34.3 percent of total domestic income. Government spending has risen to a level equivalent to 51.2 percent of GDP. The budget has a deficit of over 7 percent of GDP, and public debt has climbed to 75.5 percent of total domestic output.



The efficient and transparent regulatory framework encourages entrepreneurship. With no minimum capital requirement, it takes 13 days 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 controls virtually all prices for health care services. Monetary stability has been well maintained.



The trade weighted average tariff rate is low as in other members of the European Union, but non-tariff barriers increase the cost of trade. Under the efficient investment regime, foreign investment is welcomed without heavy bureaucratic interference. The sophisticated banking sector is well capitalized and competitive. The financial system was stressed by the recent financial turmoil, but stability has gradually been restored.

**Score Changes**

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+5.0	Fiscal Freedom	+4.4	Business Freedom	+0.1	Trade Freedom	-0.5
Freedom from Corruption	-1.0	Government Spending	-11.4	Labor Freedom	+0.3	Investment Freedom	0
				Monetary Freedom	-1.0	Financial Freedom	0