



How to reverse the UK's declining competitiveness

- The ranking of the UK in each of the three main international league tables of world competitiveness has fallen significantly since 1997.
- We have fallen from 7th to 12th in the Global Competitiveness Report published by the World Economic Forum (WEF). We have been overtaken by developed nations such as Sweden, Germany, Japan and the Netherlands.
- The WEF highlights the strengths of the UK economy today: the efficiency of its labour market (ranked 8th), the size of its market (6th), and the adeptness of business in harnessing new technologies. But these positives are undermined by government macroeconomic mismanagement: ranked 72nd of 139 on wastefulness of government spending; 89th for burden of government regulation; 95th for the 'effects and extent' of taxation; 108th for government debt; and 117th for government budget balance.
- Similarly, since 1997, we have fallen from 9th to 22nd (out of 59) in the **World Competitiveness Yearbook** published by the Institute for Management Development (IMD). This decline is in part due to our recent poor 'Economic Performance', although the UK is still 14th overall on this criteria (down from 7th in 2007). More significantly, the UK suffers from relatively poor 'Government efficiency' (26th) and 'Business efficiency' (28th).
- Between 1997 and 2011, the UK fell from 5th to 16th in the **Index of World Economic Freedom** published by the Heritage Foundation. The UK is among the world's freest nations in terms of Investment Freedom (2nd) and Financial Freedom (4th) but among the worst for Monetary (93rd), Government (156th) and Fiscal Freedoms (169th).
- The conclusion from these reports is that, over the past 14 years, our competitiveness has been undermined by excessive regulation, high taxes and mismanagement of government finances.
- The Coalition is trying to improve the government finances by eliminating the budget deficit over the course of this Parliament. It is also making business investment more attractive by lowering corporation tax. **In order to return the UK to its competitive position achieved in the late 1990s, the Coalition will need to open up public services to competitive pressures, deregulate enterprise and lower the tax burden. Our fall down the league tables shows that these are steps we cannot afford not to take.**

