

Political and Socio-Economic Environment

System of government: Constitutional monarchy with a parliamentary system (democracy)

Frequency of elections: Every 5 years

Current head(s) of state: Queen Elizabeth II, acting head of state from her accession in February 1952.

Current Prime Minister: David Cameron, leader of the conservative party, with Nick Clegg, the leader of the Liberal Democrats, serving as Deputy Prime Minister.

Next election: 2015

Recent and Upcoming Major Political Events

- Decision on referendum for Scottish independence (set for 18/09/2014)
- Bi-party system in power following the general elections of 2010 (Liberal Democrats and Conservative parties)
- Mayoral Elections of 2012: Conservative mayor of London voted in for a second term
- Conservative focus on the “Big Society”, or, devolution and increased power to local authorities
- The austerity plan initiated in 2010 by the Conservative and Liberal Democrat coalition government, amongst other things, led to a surge in electoral gains for a fourth party – UKIP - in the UK
- Extension of quantitative easing undertaken by the Central Bank to provide growth capital
- UK promise to provide a referendum on its membership to the European Union
- Changes to immigration policies came into effect in October 2013

Government Intervention in Business

The level of regulation and government intervention in foreign direct investment is considered to be relatively relaxed in the United Kingdom. Indeed, according to the Ease of Doing Business Index, published by the World Bank, the UK is considered the easiest country for foreign enterprise to invest in. This is in part because the government has elected to forego proposed public interest tests on foreign takeovers that were deemed to be against national economic interests.

In terms of business finance, with a corporate tax rate of 21%, the UK ranks 22nd in Europe. The government is set to lower corporation tax to 20% by 2015 – the lowest it has ever been in the UK. With the aim of helping to nurture enterprise and generate research and development, the UK government has also launched a variety of tax-based incentives for enterprising merchants, such as the patent box, which provides tax concessions on profits generated from patented products. There is also a threshold of untaxed capital allowances related to business income (see *'Taxation, Tariffs, and Financial Policy'*, below) and a variety of tax incentives for investing in certain relatively small trading companies. The UK has additionally run several initiatives to provide capital to start-up companies, such as the Seed Enterprise Investment Scheme in 2012, which was designed to help small companies raise equity finance, as well as agreements with banks to provide liquidity to businesses.

With regard to employment, the UK government intervenes regularly in resetting the national minimum wage, which in recent years has been subject to change annually. The October 2013 rate has been set at £6.31 for those aged 21 and over. Importantly, the UK unemployment rate has been falling consistently since a peak of 8.1% in 2011 - a spike owing to the global financial crisis which hit in 2008 -, reaching 7.2% in April 2014.

Finally, it is important to note that the UK Government is separate from the UK central bank, the Bank of England, which remains the authority on setting the base rate – the interest rate set for lending to other banks, used as the benchmark for interest rates generally. The UK government does, however, intervene in the banking sector, an example being project “Merlin”, which was an agreement held between the UK government and the Bank of England to provide liquidity to the ailing private sector.