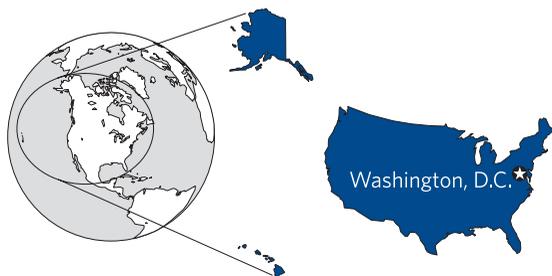


UNITED STATES



World Rank: **10**

Regional Rank: **2**

Economic Freedom Score



The United States' economic freedom score of 76.3 drops it to 10th place in the 2012 *Index*. Its score is 1.5 points lower than last year, reflecting deteriorating scores for government spending, freedom from corruption, and investment freedom. The U.S. is ranked 2nd out of three countries in the North America region, and its overall score remains well above the world and regional averages.

The U.S. economy faces enormous challenges. Although the foundations of economic freedom remain strong, recent government interventions have eroded limits on government, and public spending by all levels of government now exceeds one-third of total domestic output. The regulatory burden on business continues to increase rapidly, and heightened uncertainty further increases regulations' negative impact. Fading confidence in the government's determination to promote or even sustain open markets has discouraged entrepreneurship and dynamic investment within the private sector.

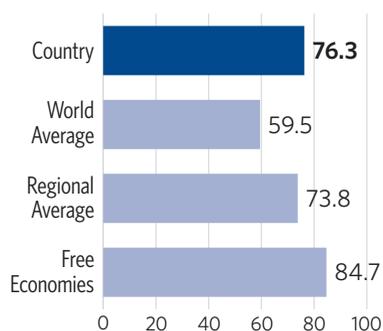
Restoring the U.S. economy to the status of a "free" economy will require significant policy changes to reduce the size of government, overhaul the tax system, and transform costly entitlement programs. By boosting growth in the private sector, such freedom-enhancing policies are the best hope for bringing down high unemployment rates and reducing public debt to manageable levels.

BACKGROUND: The U.S. economy, the world's largest, has not recovered fully from the 2008 financial crisis and ensuing recession. Under Democratic President Barack Obama, the federal system of government, designed to reserve significant powers to the state and local levels, has been strained by the national government's rapid expansion. Spending at the national level rose to over 25 percent of GDP in 2010, and gross public debt surpassed 100 percent of GDP in 2011. A 2010 health care bill that greatly expanded the central government's reach has been under challenge in the courts, and the Dodd-Frank financial overhaul bill has roiled credit markets. Although the election of a Republican Party majority in the House of Representatives in late 2010 slowed spending growth, divided government has left U.S. economic policy in flux.

Freedom Trend



Country Comparisons



Quick Facts

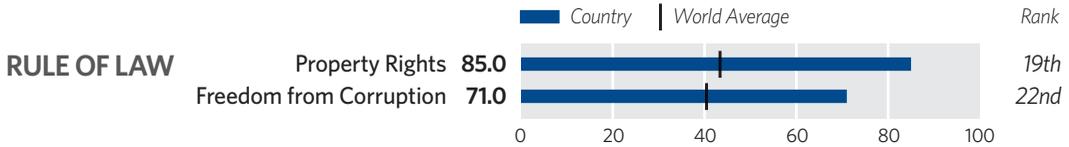
Population: 310.0 million
GDP (PPP): \$14.6 trillion
 2.8% growth in 2010
 5-year compound annual growth 0.9%
 \$47,284 per capita
Unemployment: 9.6%
Inflation (CPI): 1.6%
FDI Inflow: \$228.2 billion
Public Debt: 102.6% of GDP (2011 est.)

How Do We Measure Economic Freedom?

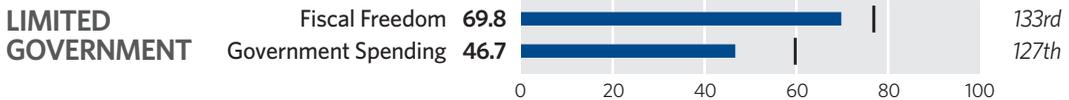
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

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

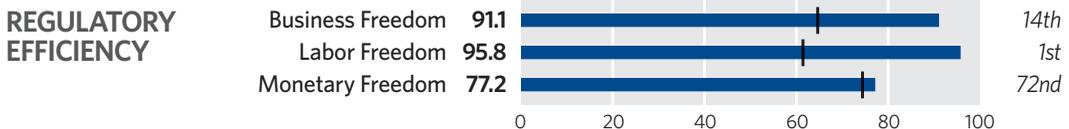
THE TEN ECONOMIC FREEDOMS



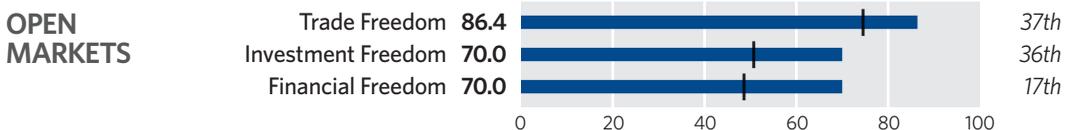
Property rights are guaranteed, and the judiciary functions independently and predictably. Serious constitutional questions related to government-mandated health insurance have been under consideration in the courts. Corruption is a growing concern as the cronyism and economic rent-seeking associated with the growth of government have undermined institutional integrity.



In the absence of comprehensive tax reforms, the top individual and corporate tax rates remain at 35 percent. Other taxes include a capital gains tax and excise taxes, with the overall tax burden amounting to 24 percent of total domestic income. Government expenditures have grown to 42.2 percent of GDP, and the budget deficit is close to 10 percent of GDP. Total public debt is now larger than the size of the economy.



Business start-up procedures are efficient, and the labor market remains flexible. However, over 70 new major regulations have been imposed since early 2009, with annual costs of more than \$38 billion. There were only six major deregulatory actions during that time, with reported savings of just \$1.5 billion. Although inflation is under control, price distortions caused by government interventions persist.



The trade weighted average tariff rate is 1.8 percent, with non-tariff barriers such as “buy American” procurement rules adding to the cost of trade. Investment freedom is hampered by ongoing protectionist restrictions. The impact of the recently passed financial reform bills has yet to be measured, as detailed regulations are gradually emerging. However, they are likely to increase compliance costs, complicating the banking sector’s recovery.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+1.5	Business Freedom	+0.1	Trade Freedom	0
Freedom from Corruption	-4.0	Government Spending	-7.9	Labor Freedom	+0.1	Investment Freedom	-5.0
				Monetary Freedom	-0.2	Financial Freedom	0