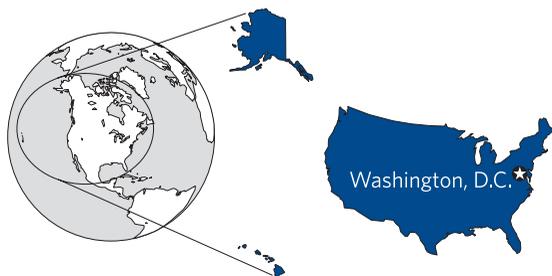


UNITED STATES



World Rank: **12**

Regional Rank: **2**

Economic Freedom Score



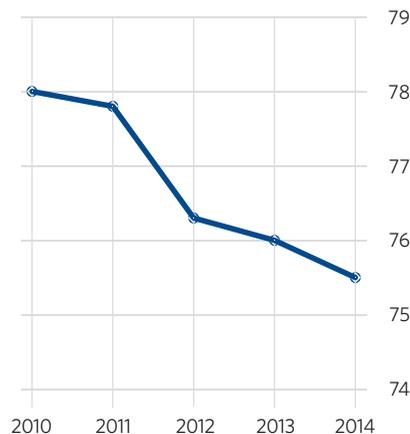
The United States, with an economic freedom score of 75.5, is the 12th freest economy in the 2014 *Index*. Its score is half a point lower than last year, primarily due to deteriorations in property rights, fiscal freedom, and business freedom. The U.S. is ranked 2nd out of three countries in the North America region, and although its score remains well above the world and regional averages, it is no longer one of the top 10 freest economies.

Over the 20-year history of the *Index*, the U.S.'s economic freedom has fluctuated significantly. During the first 10 years, its score rose gradually, and it joined the ranks of the economically "free" in 2006. Since then, it has suffered a dramatic decline of almost 6 points, with particularly large losses in property rights, freedom from corruption, and control of government spending. The U.S. is the only country to have recorded a loss of economic freedom each of the past seven years. The overall U.S. score decline from 1995 to 2014 is 1.2 points, the fourth worst drop among advanced economies.

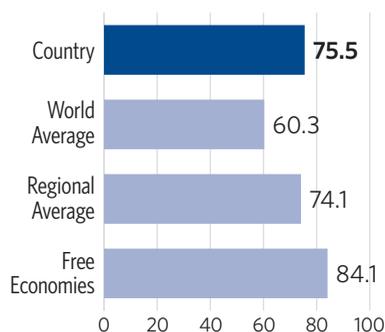
Substantial expansion in the size and scope of government, including through new and costly regulations in areas like finance and health care, has contributed significantly to the erosion of U.S. economic freedom. The growth of government has been accompanied by increasing cronyism that has undermined the rule of law and perceptions of fairness.

BACKGROUND: President Barack Obama won re-election in 2012, but his efforts to expand government spending and regulation have been partially thwarted by the Republican-controlled House of Representatives. The continuing underperformance of the U.S. economy, by far the world's largest, is a serious concern. The Administration's uncertain responses to foreign policy challenges in Libya, Egypt, Syria, and Iran, among others, have reduced U.S. influence in countering tensions in the Middle East. Implementation of the health care law passed in 2010 has hit major snags and appears to be significantly hurting job creation and full-time employment. Partisan disagreements over spending levels led to a partial shutdown of the federal government in late 2013.

Freedom Trend



Country Comparisons



Quick Facts

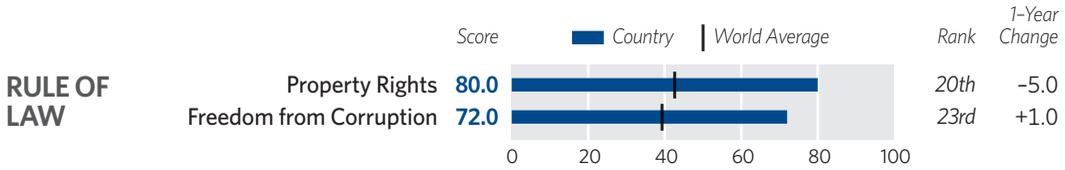
Population: 314.2 million
GDP (PPP): \$15.7 trillion
 2.2% growth in 2012
 5-year compound annual growth 0.6%
 \$49,922 per capita
Unemployment: 7.2% (Sept. 2013)
Inflation (CPI): 2.1%
FDI Inflow: \$167.6 billion
Public Debt: 106.5% of GDP

How Do We Measure Economic Freedom?

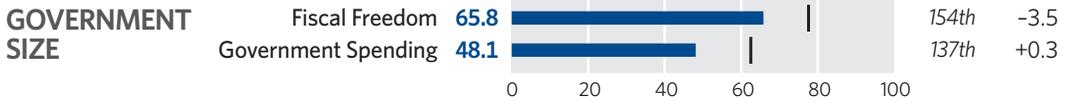
See page 471 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

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

THE TEN ECONOMIC FREEDOMS



The expansive use of government regulatory agencies to manage economic activity, particularly in the financial, health care, and energy sectors, has opened the door to increased perceptions of cronyism and corruption. Although property rights are guaranteed and the judiciary functions independently and predictably, protection of property rights has been uneven, raising charges of favoritism.



The top individual income tax rate has risen to 39.6 percent, and the top corporate tax rate remains at 35 percent. Other taxes include a capital gains tax and excise taxes. The payroll tax holiday expired at the beginning of 2013. The overall tax burden amounts to 25.1 percent of gross domestic income. General government expenditures are slightly over 40 percent of GDP. Total public debt equals over 100 percent of the size of the economy.



Incorporating a business takes five days on average, but the overall cost of meeting regulatory requirements has increased by over \$60 billion since 2009, with more than 130 new regulations imposed. The labor market, primarily regulated at the state level, remains flexible. Price distortions, caused by government interventions such as monetary easing and substantial subsidies for agriculture, health care and other welfare programs, have increased.



The average tariff rate is 1.3 percent. Relatively new non-tariff barriers include restrictions on tomatoes imported from Mexico. Foreign investment in airlines and media is capped, and the regulatory process can be a deterrent to investment. The full effects of the onerous Dodd-Frank bill, passed three years ago, have yet to be felt. A backlog of ongoing rulemakings has prolonged business uncertainty, impeding economic growth.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+0.9	Business Freedom	+4.2	Trade Freedom	+8.4
Freedom from Corruption	-18.0	Government Spending	-9.7	Labor Freedom	+1.8	Investment Freedom	0
				Monetary Freedom	-8.4	Financial Freedom	0