



# BOLIVIA

## Economic Freedom Score



World Rank: **158**

Regional Rank: **25**

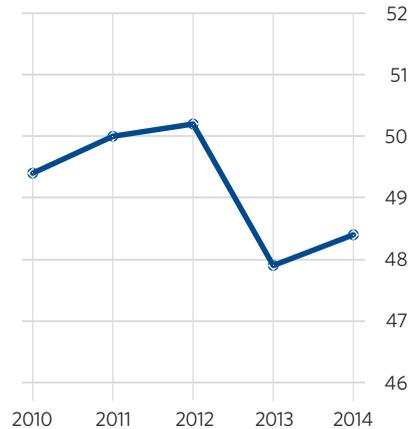
**B**olivia's economic freedom score is 48.4, making its economy the 158th freest in the 2014 *Index*. Its overall score is 0.5 point better than last year, with notable improvements in investment freedom and trade freedom offsetting declines in business freedom, fiscal freedom, and government spending. Bolivia is ranked 25th out of 29 countries in the South and Central America/Caribbean region, and its overall score is far below the world and regional averages.

Over the 20-year history of the *Index*, Bolivia's economic freedom has deteriorated by 8.5 points, the sixth worst score drop. Significant declines have occurred in six of the 10 economic freedoms, notably property rights and investment freedom, whose scores plummeted 40 and 55 points, respectively. Regulatory efficiency, measured through business freedom, labor freedom, and monetary stability, also has greatly diminished as state interference in the economy has grown.

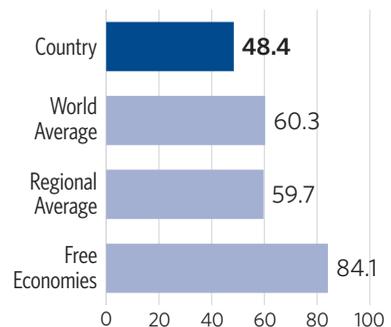
Bolivia was a "moderately free" economy during the first 10 years of the *Index* but has been on a downward spiral of economic freedom since 2005. With the economy plunging into the ranks of the "repressed" over the past two years, Bolivians are suffering in a climate of increasing economic subjugation. High commodity prices have driven recent strong economic growth, but long-term economic development remains constrained by institutional shortcomings.

**BACKGROUND:** Since taking office in 2005, President Evo Morales has used property confiscation and nationalization to redistribute wealth. A new constitution has expanded executive power and given the state greater control of key natural resources and industries, including gas and electricity. Re-elected in 2009 with 64 percent of the vote, Morales promised to move Bolivia toward "communitarian socialism." In Bolivia, the president can be re-elected only once, but Morales has announced that he will run for a third term in 2014. Under Morales, Bolivia associates closely with Cuba and Venezuela and has strengthened relations with Iran. Both foreign and local private investment have dropped, and approximately half of Bolivia's people still live in poverty. Nearly 60 percent of working arrangements are informal, and drug trafficking has increased.

## Freedom Trend



## Country Comparisons



## Quick Facts

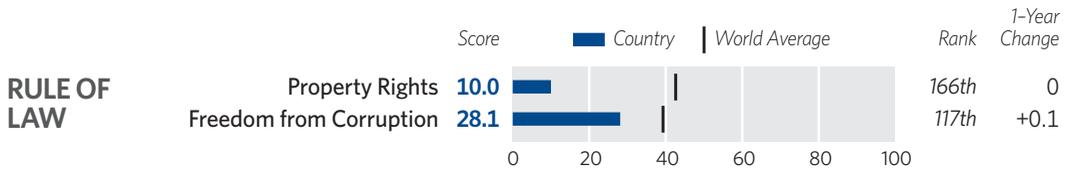
- Population:** 10.8 million
- GDP (PPP):** \$55.2 billion
- 5.2% growth in 2012
- 5-year compound annual growth 4.8%
- \$5,099 per capita
- Unemployment:** 5.4%
- Inflation (CPI):** 4.5%
- FDI Inflow:** \$1.1 billion
- Public Debt:** 33.1% of GDP

### How Do We Measure Economic Freedom?

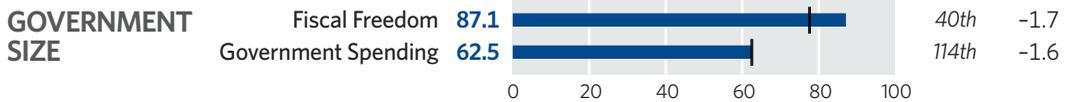
See page 471 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

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

**THE TEN ECONOMIC FREEDOMS**



There have been numerous high-profile cases of government mismanagement, corruption, and abuse of political influence in the past year. The “Mother Earth Integral Development Law to Live Well,” passed in October 2012, imposes unique intellectual property concepts and specifies that the state controls access to natural resources, especially vis-à-vis foreign investors. Expropriation is a problem, as is illegal squatting on rural private property.



The top individual income tax rate is 13 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax (VAT) and a transactions tax. The overall tax burden is 22.2 percent of GDP. Government spending amounts to 35.4 percent of GDP and has been financed by gas and mining receipts. Public debt is around 33 percent of gross domestic output.



Despite some steps to reform the cumbersome regulatory framework, lingering bureaucracy and lack of transparency often make the formation and operation of private enterprises costly and burdensome. The non-salary cost of employing a worker is moderate, but overall rigidity in hiring and firing is high. Fuel prices, subsidized and controlled by the government, are frozen for years at a time. Electricity is also subsidized.



Bolivia has a 3.7 percent average tariff rate. Piracy and counterfeiting are not uncommon. The government screens new foreign investment, and the legal and regulatory systems may be difficult to navigate. The financial sector remains vulnerable to state interference, with credit to the private sector expanding slowly. Capital markets are focused on trading in government bonds.

**Long-Term Score Change (since 1995)**

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-40.0	Fiscal Freedom	-3.9	Business Freedom	-1.6	Trade Freedom	+12.2
Freedom from Corruption	+18.1	Government Spending	+1.8	Labor Freedom	-17.8	Investment Freedom	-55.0
				Monetary Freedom	-9.5	Financial Freedom	+20.0