

VENEZUELA

WORLD RANK:

179

REGIONAL RANK:

32

ECONOMIC FREEDOM STATUS:
REPPRESSED

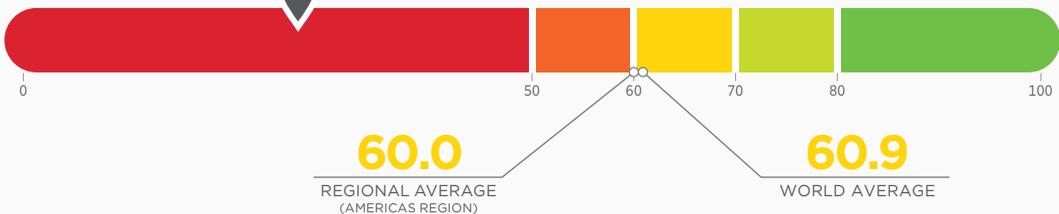
Worsening shortages of food, medicines, and other consumer goods, combined with triple-digit inflation that has eroded monetary stability, have drastically undermined Venezuela's already fragile economy. Years of interventionist and market-distorting policies, including nationalizations and restrictions on imports, have resulted in dire economic conditions. There is a substantial risk that civil unrest may spiral out of control.

Venezuela's economy has been stifled by blatant disregard for both the rule of law and the principle of limited government. The private sector has been severely marginalized by institutional impediments related to government encroachment into the marketplace. The judicial system has become more vulnerable to political interference, and corruption is prevalent.

ECONOMIC FREEDOM SCORE

27.0

(▼ DOWN 6.7 POINTS)



NOTABLE SUCCESSES:
None

CONCERNS:
Rule of Law, Regulatory Efficiency,
and Open Markets

**OVERALL SCORE CHANGE
SINCE 2013:**
-9.1

FREEDOM TREND



QUICK FACTS

POPULATION:
30.9 million

GDP (PPP):
\$515.7 billion
-5.7% growth in 2015
5-year compound
annual growth 0.3%
\$16,673 per capita

UNEMPLOYMENT:
8.0%

INFLATION (CPI):
121.7%

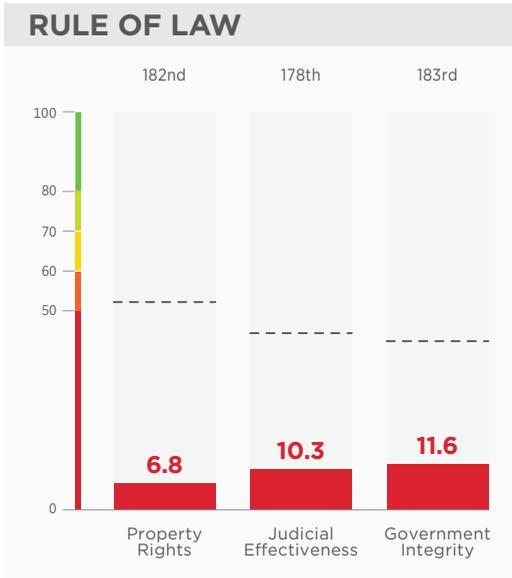
FDI INFLOW:
\$1.6 billion

PUBLIC DEBT:
48.8% of GDP

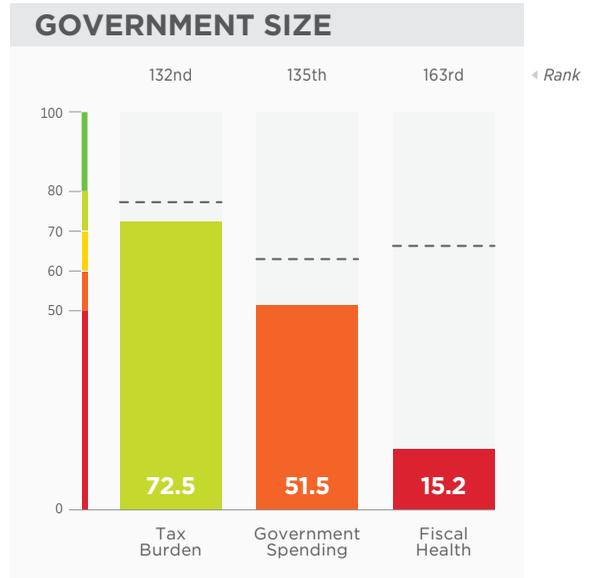
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: After decades under generally benevolent military rule, Venezuela's modern democratic era began in 1959. Under the late Hugo Chávez, president from 1999 to 2013, and his handpicked successor, current President Nicolás Maduro, the executive branch has exercised increasingly authoritarian control, and democratic institutions have deteriorated. Venezuelans enjoy few civil liberties and little economic freedom. Violent crime is rampant. A founding member of the Organization of Petroleum Exporting Countries (OPEC), Venezuela has the world's largest proven oil reserves and is highly dependent on oil revenues, which account for almost all exports and half of state revenues. Production has fallen due to government mismanagement of state-owned oil company PDVSA.

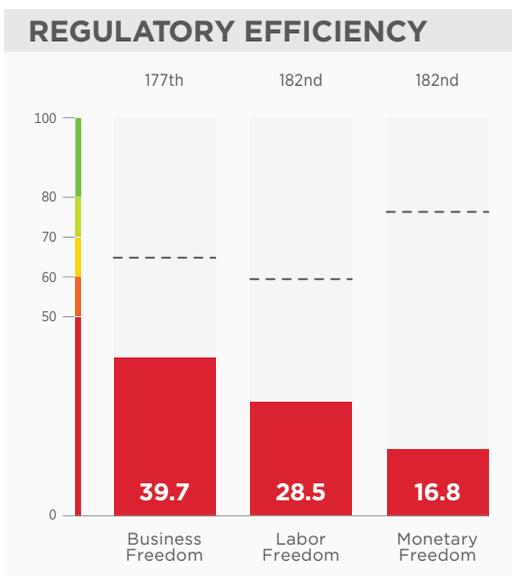
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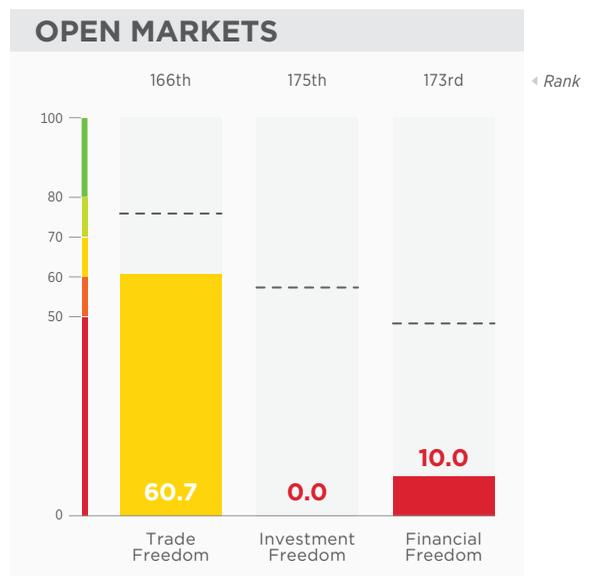
Expropriations, weak public-sector institutions, and lack of judicial independence undermine real property rights. The government's economic policies, particularly currency and price controls, have greatly increased opportunities for corruption, black-market activity, and collusion between public officials and organized crime networks. Spiraling rates of violent crime have encouraged the outmigration of skilled workers.



Both the top personal income tax rate and the top corporate tax rate are 34 percent. Other taxes include a value-added tax. The overall tax burden equals 20.9 percent of total domestic income. Government spending has amounted to 40.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 16.1 percent of GDP. Public debt is equivalent to 48.8 percent of GDP.



Bureaucratic interference has severely undercut regulatory efficiency and productivity growth. The labor market remains rigidly controlled and severely impedes dynamic employment creation. Although the central bank did not release any official inflation statistics in 2016, a Caracas think tank (CENDA) has estimated that annual inflation is more than 600 percent, driven by the severe scarcity of imported goods.



Trade is moderately important to Venezuela's economy; the value of exports and imports taken together equals 37 percent of GDP. The average applied tariff rate is 9.7 percent. Numerous government policies discourage foreign investment, and state-owned enterprises significantly distort the economy. The financial system remains hobbled by state interference and uncertainty about the direction of economic policies.