

VENEZUELA

WORLD RANK:

179

REGIONAL RANK:

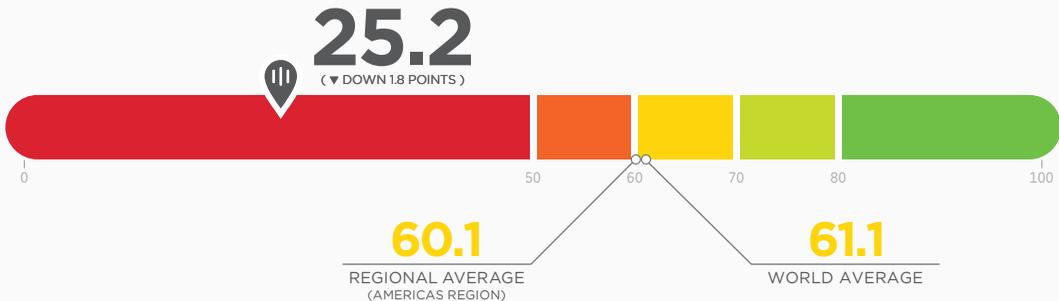
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ECONOMIC FREEDOM STATUS:
REPRESSED

Venezuela's economic freedom score is 25.2, making its economy the 179th freest in the 2018 *Index*. Its overall score has decreased by 1.8 point because of a steep decline in **monetary freedom** and lower scores for the **business freedom** and **government integrity** indicators. Venezuela is ranked last among 32 countries in the Americas region, and its overall score is well below the regional and world averages.

With the economy verging on collapse and the government clinging tenaciously to power, much-needed reforms will not be addressed by a regime that has proved unwilling or technically unable to move Venezuela back from the brink of bankruptcy and debt default. Fiscal and monetary policies will remain expansionary, and ad hoc policy interventionism and heavy state control of the economy will persist. Venezuela's economy has been stifled for years by blatant disregard for the rule of law and principles of limited government.

ECONOMIC FREEDOM SCORE

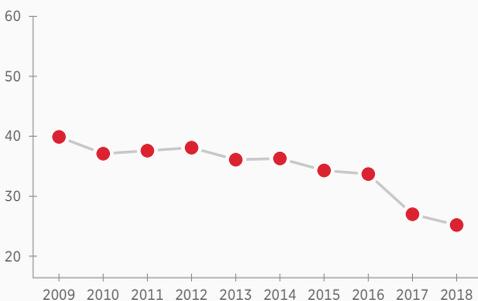


NOTABLE SUCCESSES:
None

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

**OVERALL SCORE CHANGE
SINCE 2014:**
-11.1

FREEDOM TREND



QUICK FACTS

POPULATION:
31.0 million

GDP (PPP):
\$427.0 billion
-18.0% growth in 2016
5-year compound
annual growth -4.2%
\$13,761 per capita

UNEMPLOYMENT:
6.9%

INFLATION (CPI):
254.9%

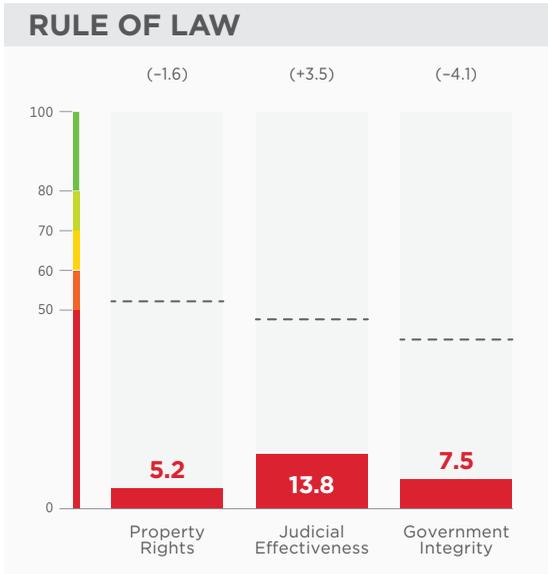
FDI INFLOW:
\$1.8 billion

PUBLIC DEBT:
28.2% of GDP

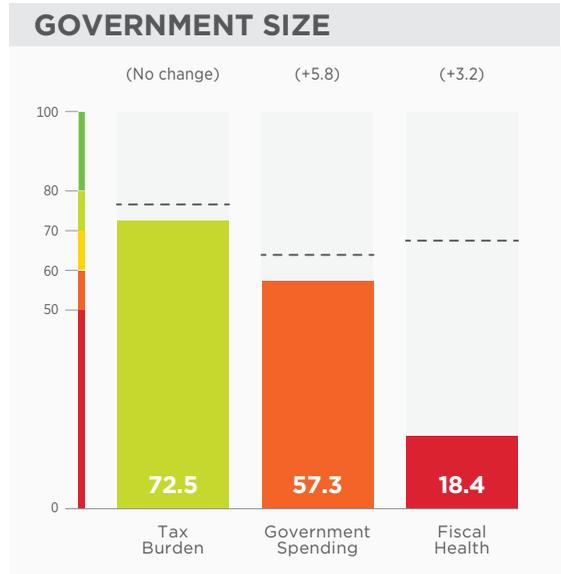
2016 data unless otherwise noted. Data compiled as of September 2017

BACKGROUND: Venezuela's modern democratic era lasted from the end of military rule in 1959 until the election of Hugo Chávez in 1999. His hand-picked successor, President Nicolás Maduro, completed the destruction of democratic institutions and established a de facto authoritarian dictatorship in July 2017. Venezuela has the world's largest proven oil reserves, and oil accounts for almost all exports and half of state revenues. Production is down because of government mismanagement of state-owned oil company PDVSA. Severe shortages of food, medicines, and other consumer goods, combined with near hyperinflation, have accompanied the worst economic contraction ever recorded. Drastically reduced private consumption has incited widespread looting. Many multinational firms have pulled out of the country.

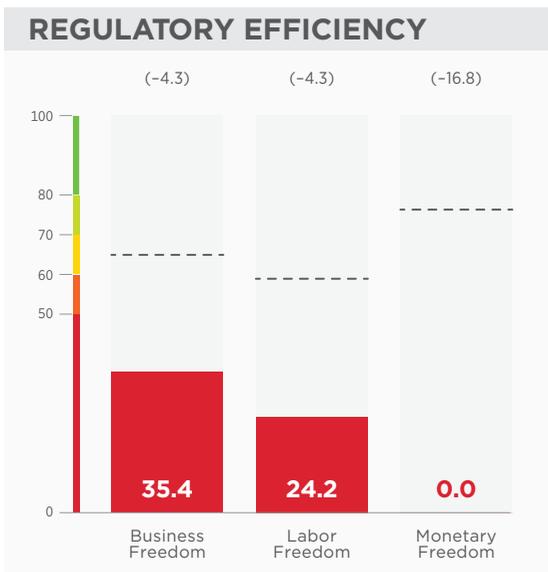
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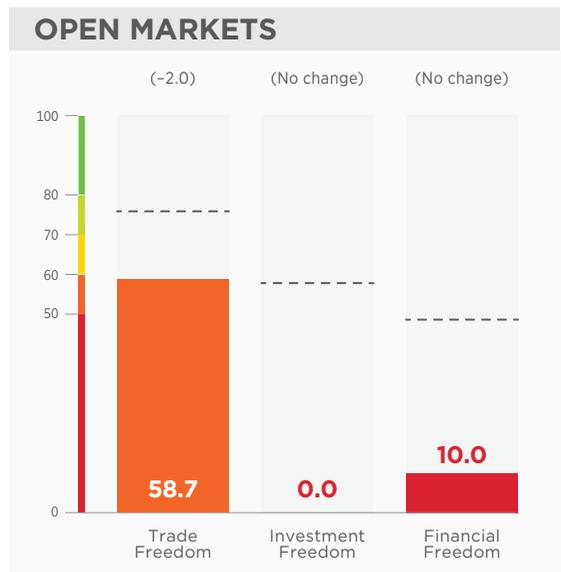
Property rights have been eviscerated by years of price controls, nationalizations, overregulation, and outright expropriation. Businesses that are not already nationalized face threats if they are deemed to be lacking in commitment to revolutionary goals. The judiciary is highly politicized, and the rule of law as traditionally understood has ceased to exist. Corruption is pervasive amid spiraling rates of violent crime.



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. Over the past three years, government spending has amounted to 37.7 percent of total output (GDP), and budget deficits have averaged 16.3 percent of GDP. Public debt is equivalent to 28.2 percent of GDP.



The ongoing economic crisis and an opaque and heavily, although arbitrarily, regulated business environment make Venezuela an unfriendly place in which to start or run a private enterprise. The rigidly controlled labor market severely impedes dynamic creation of employment. As the economy collapsed in 2017, the government loosened some price controls but raised food and energy subsidies in the face of hyperinflation.



Trade is significant for Venezuela's economy; the combined value of exports and imports equals 54 percent of GDP. The average applied tariff rate is 10.7 percent. Nontariff barriers significantly impede trade. The government's legal, bureaucratic, and regulatory policies limit foreign investment. The financial sector is tightly controlled by the state, and credit is often allocated on the basis of political expediency.