

VENEZUELA

WORLD RANK:

179

REGIONAL RANK:

32

ECONOMIC FREEDOM STATUS:
REPPRESSED

Venezuela's economic freedom score is 25.9, making its economy the 179th freest in the 2019 *Index*. Its overall score has increased by 0.7 point, with a small improvement in **labor freedom** outpacing a decline in **business freedom**. Venezuela is ranked last among 32 countries in the Americas region, and its overall score is well below the regional and world averages.

Venezuela's once-modern economy has collapsed into a sort of 21st century feudalism. Monetization of large public deficits, coupled with mismanagement of the state-dominated oil industry, has led to hyperinflation and shortages of foreign currency, basic goods, and industrial inputs. An economic plan launched in August 2018 included the removal of five zeroes from the currency, a massive devaluation, and another large increase in the minimum wage amid persistent ad hoc policy interventionism, heavy state control of the economy, and blatant disregard for the rule of law.

ECONOMIC FREEDOM SCORE

25.9

(▲ UP 0.7 POINT)



REGIONAL AVERAGE
(AMERICAS REGION)

59.6

60.8

WORLD
AVERAGE

RELATIVE STRENGTHS:

Tax Burden and Trade Freedom

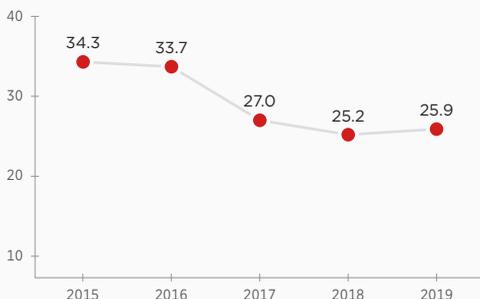
HISTORICAL INDEX SCORE CHANGE (SINCE 1995):

-33.9

CONCERNS:

Monetary Freedom and
Investment Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:

31.4 million

GDP (PPP):

\$380.7 billion
-14.0% growth in 2017
5-year compound
annual growth -7.8%
\$12,114 per capita

UNEMPLOYMENT:

7.7%

INFLATION (CPI):

1,087.5%

FDI INFLOW:

-\$68.0 million

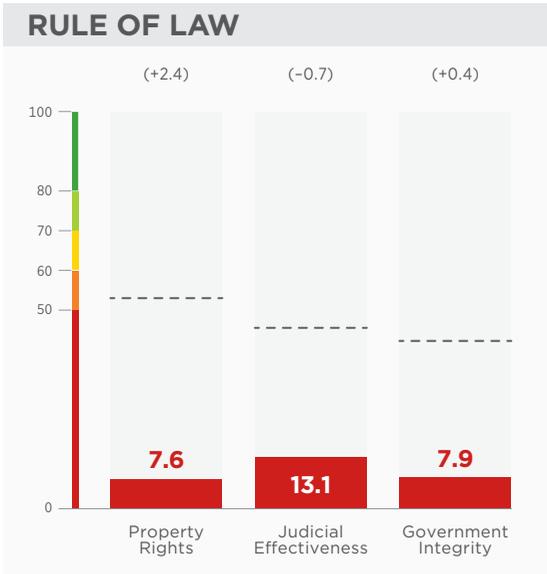
PUBLIC DEBT:

34.9% of GDP

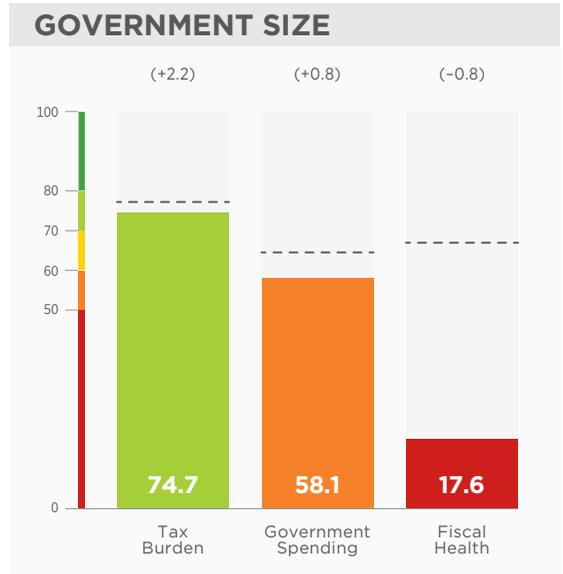
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Venezuela's modern democratic era lasted from the end of military rule in 1959 until the election of Hugo Chávez in 1999. His handpicked successor, President Nicolás Maduro, completed the destruction of democratic institutions and established a repressive authoritarian dictatorship in 2017. The bungling and deeply corrupt "21st Century Socialist" government's policies have caused severe shortages of food, medicines, and other consumer goods that, combined with hyperinflation, have accompanied one of the worst economic contractions ever recorded. Nevertheless, Maduro was reelected in a fraudulent May 2018 election. 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 the state-owned PDVSA oil company.

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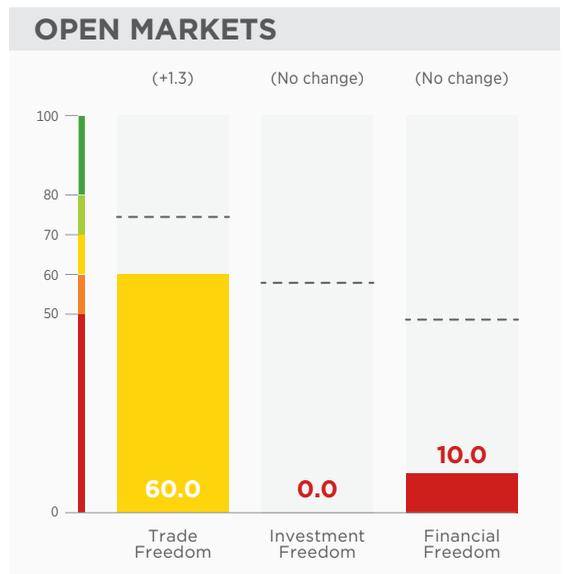
Weak institutions and a thoroughly politicized judiciary undermine property rights in Venezuela. The government's economic policies, particularly currency and price controls, have greatly increased opportunities for corruption, black-market activity, and collusion between public officials and organized crime networks. The president holds inordinate power over all branches of government. Spiraling rates of violent crime have spurred emigration.



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 14.9 percent of total domestic income. Over the past three years, government spending has amounted to 37.4 percent of the country's output (GDP), and budget deficits have averaged 22.4 percent of GDP. Public debt is equivalent to 34.9 percent of GDP.



The private sector has been severely marginalized by government encroachment into the marketplace. Bureaucratic interference has severely undercut regulatory efficiency and productivity growth. The labor market remains rigidly controlled and severely impedes dynamic employment creation. Inflation was predicted to exceed 1 million percent by the end of 2018, driven by the severe scarcity of imported goods.



The combined value of exports and imports is equal to 48.1 percent of GDP. The average applied tariff rate is 10.0 percent. Years of interventionist and market-distorting policies, including import restrictions, expropriations, and nationalizations, have resulted in dire economic conditions. The financial system remains hobbled by state interference and uncertainty about the direction of economic policies.