

VENEZUELA

WORLD RANK:

176

REGIONAL RANK:

32

ECONOMIC FREEDOM STATUS:
REPRESSED

Venezuela's economic freedom score is 24.8, making its economy the 176th freest in the 2022 *Index*. Venezuela is ranked 32nd among 32 countries in the Americas region, and its overall score is well below the regional and world averages.

Venezuela's economic growth had been deeply negative for most of the past five years until a slight upturn in 2021. The country has been one of the world's least economically free nations for more than a decade. With decreases in scores for **fiscal health**, **monetary freedom**, and rule of law, Venezuela has recorded a 2.2-point overall loss of economic freedom since 2017 and remains near the very bottom of the "Repressed" category. If and when Venezuela begins the long return to market democracy, it will have to end hyperinflation, restructure public debt, and rebuild institutions to restore confidence in the rule of law and promote investment.

IMPACT OF COVID-19: As of December 1, 2021, 5,161 deaths had been attributed to the pandemic in Venezuela, and the government's response to the crisis ranked 144th among the countries included in this *Index* in terms of its stringency. The economy contracted by 30.0 percent in 2020.

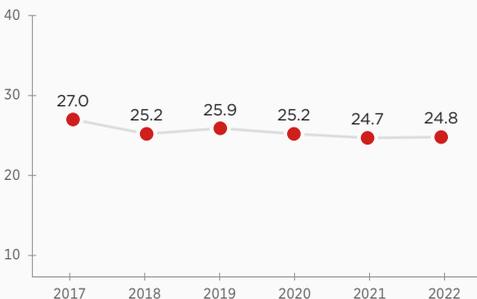
ECONOMIC FREEDOM SCORE

24.8



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -35.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
28.4 million

GDP (PPP):
\$144.7 billion
-30.0% growth
in 2020
5-year compound
annual growth -23.5%
\$5,178 per capita

UNEMPLOYMENT:
9.1%

INFLATION (CPI):
2,355.1%

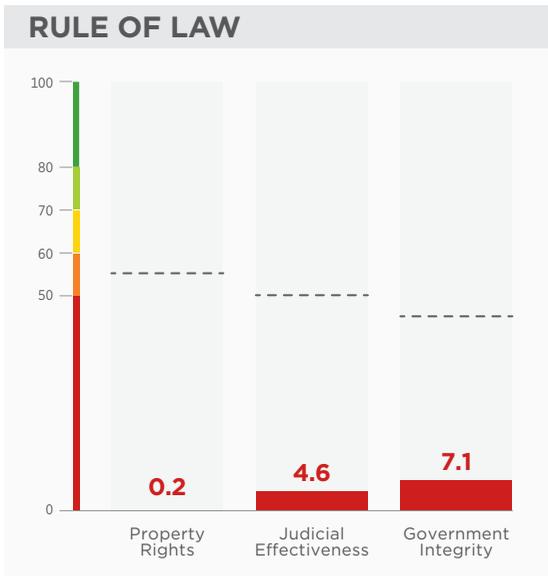
FDI INFLOW:
\$959.0 million

PUBLIC DEBT:
304.1% of GDP

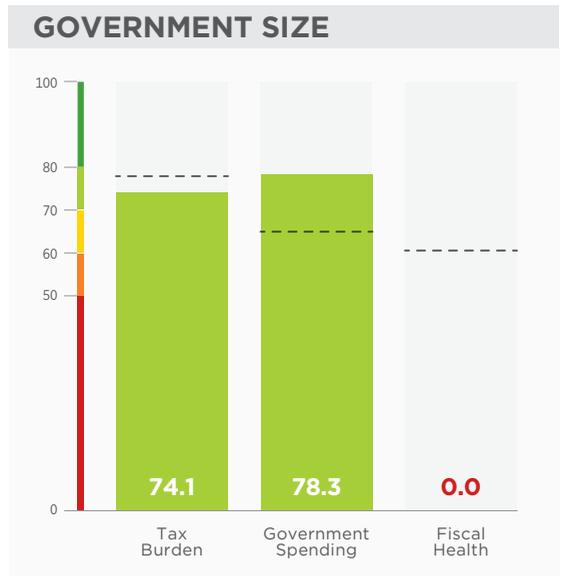
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Venezuela's modern democratic era lasted from the end of military rule in 1959 until the election of Hugo Chávez in 1999. His successor, Nicolás Maduro, completed the destruction of democracy and consolidated the authoritarian dictatorship in 2017. The deeply corrupt socialist regime's policies have led to one of history's worst economic depressions and Latin America's worst migration crises. The regime has also bankrupted state-owned oil company PDVSA and is actively engaged in illicit trafficking. Following international censure of Maduro's sham 2018 reelection, then-National Assembly head Juan Guaidó became interim president in 2019 in accordance with Venezuela's constitution, but Maduro still exercises de facto control. Maduro has circumvented U.S. sanctions with the aid of Iran, Russia, and China.

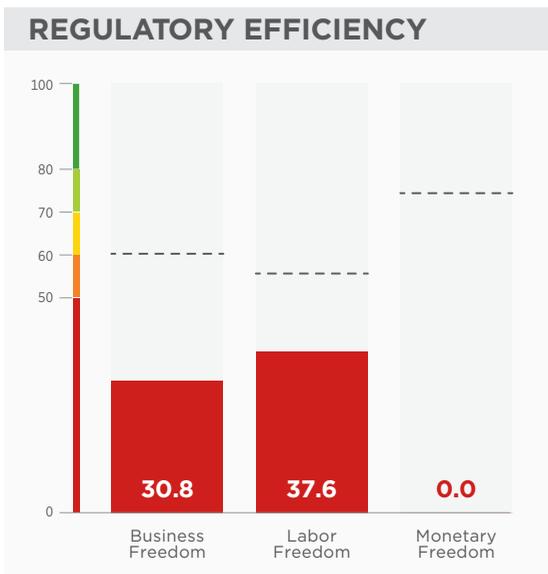
12 ECONOMIC FREEDOMS | VENEZUELA



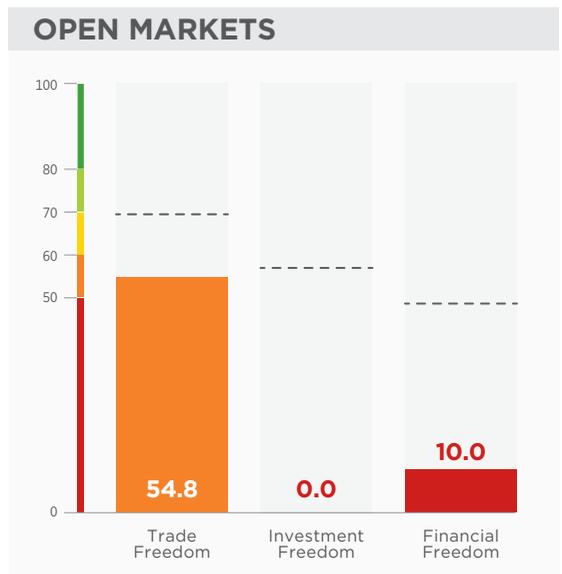
Property rights have been damaged by years of price controls, nationalizations, overregulation, and corruption. The corrupt and regime-controlled judiciary has overseen a collapse of the rule of law. Transparency International reports that the main reasons for widespread corruption are impunity, weak institutions, and nontransparent mismanagement of government resources through underinvestment, graft, and politicized hiring practices in state-owned enterprises.



The top individual income and corporate tax rates are 34 percent. Other taxes include a value-added tax. The overall tax burden equals 16.7 percent of total domestic income. Government spending has amounted to 26.9 percent of total output (GDP) over the past three years, and budget deficits have averaged 15.4 percent of GDP. Public debt is equivalent to 304.1 percent of GDP.



Venezuela is rich in oil, but socialism is the enemy of business freedom, and no new enterprises are likely to have any chance of success in the current environment. No semblance of labor freedom exists. Despite an October 2021 currency redenomination that took six zeros off the bolívar soberano, the government has failed to address the underlying causes of currency and price instability.



Venezuela has three preferential trade agreements in force. The trade-weighted average tariff rate is 12.6 percent, and 134 nontariff measures are in effect. Private investment remains hampered by state interference, and hostility to foreign investment, coupled with threats of expropriation, persists. The financial sector is tightly controlled by the state, which often allocates credit based on political expediency.