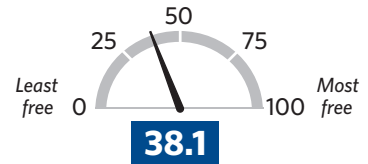


VENEZUELA

Economic Freedom Score



World Rank: **174** Regional Rank: **28**

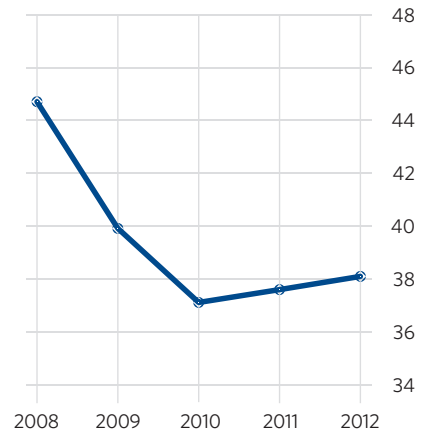
Venezuela's economic freedom score is 38.1, making its economy the 174th freest in the 2012 *Index*. Its score increased by 0.5 point since last year, with a modest gain in labor freedom partly offset by a drop in trade freedom. Venezuela is ranked 28th out of 29 countries in the South and Central America/Caribbean region, and its overall score is much lower than the world average.

Venezuela continues to be mired in a climate of economic repression. Severely hampered by state interference, the formal economy is increasingly stagnant, and informal economic activity is expanding. Monetary stability is particularly weak, and there are extensive price controls on almost all goods and services. Government interference in the financial sector further distorts price levels and constrains private-sector growth by allocating credit on non-market terms.

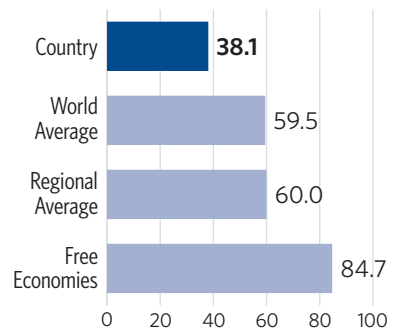
Because of rampant corruption and deficiencies in the legal framework, the rule of law remains fragile and uneven across the Venezuelan economy. Contracts and property rights are not well respected, and the threat of government expropriation remains high. The government dictates most production and investment activity.

BACKGROUND: President Hugo Chávez styles himself the leader of Latin America's anti-free market forces and has sought allies in China, Cuba, Russia, and rogue states like Iran. He has hobbled political opponents, outlawed free speech, done away with property rights, nationalized private businesses, pursued a military buildup, imposed foreign exchange controls, and antagonized neighboring Colombia. A 2009 constitutional revision permits Chávez to rule as president for life, although his many treatments for prostate cancer in 2011 may presage the ultimate term limit. Legislative elections in 2010 split evenly between pro- and anti-Chávez forces. Venezuela has Latin America's highest inflation rate, a chronic electricity crisis, food shortages, an epidemic of crime, and the lowest economic growth rate currently measured in the Americas.

Freedom Trend



Country Comparisons



Quick Facts

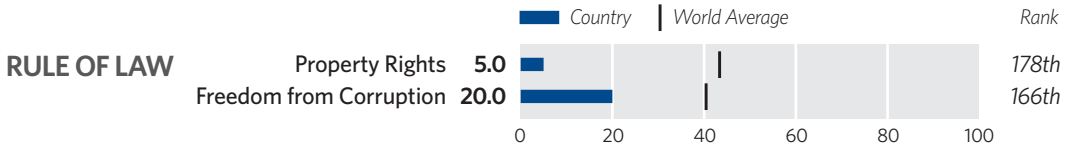
Population: 29.2 million
GDP (PPP): \$345.2 billion
 -1.9% growth in 2010
 5-year compound annual growth 3.4%
 \$11,829 per capita
Unemployment: 12.1%
Inflation (CPI): 28.2%
FDI Inflow: -\$1.4 billion
Public Debt: 38.4% of GDP

2010 data unless otherwise noted.
 Data compiled as of September 2011.

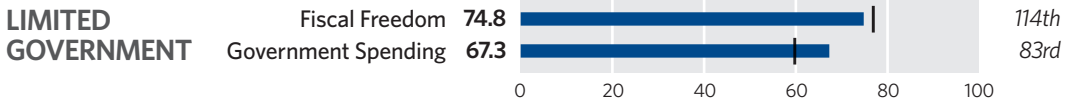
How Do We Measure Economic Freedom?

See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

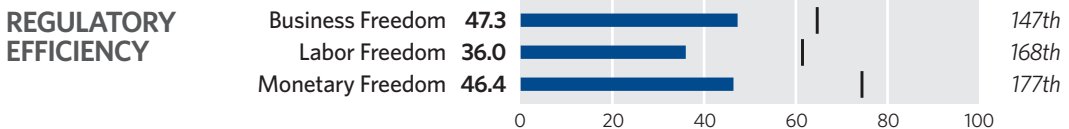
THE TEN ECONOMIC FREEDOMS



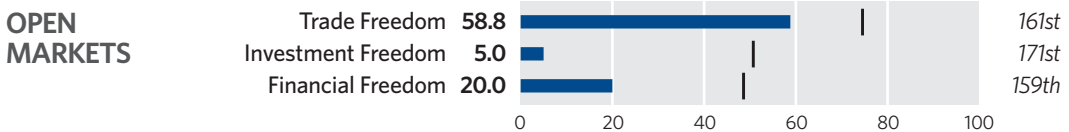
The judiciary is completely controlled by the executive, politically inconvenient contracts are abrogated, and the legal system discriminates against or in favor of investors from certain foreign countries. Land and other private holdings across the economy are expropriated by the government arbitrarily and without compensation. Corruption, exacerbated by cronyism and nepotism, remains rampant at all level of government.



The top income and corporate tax rates are 34 percent. Other taxes include a value-added tax (VAT) and a property tax, with the overall tax burden estimated to be 14.5 percent of GDP. Taxation is poorly administered. Government spending has reached a level equivalent to 33 percent of GDP, and the budget balance has been in deficit. Public debt amounts to about 40 percent of total domestic output.



The overall freedom to engage in entrepreneurial activity is constrained by heavy government control and inconsistent enforcement of regulations. There is little transparency in decision-making, and most contracts are awarded without competition. No minimum capital requirement for establishing a business is imposed, but the process takes over 100 days. The labor market remains controlled by the state. Inflation has been very high.



The trade weighted average tariff rate is prohibitively high at 10.6 percent, and extensive non-tariff barriers further distort the free flow of goods and services. Private investment remains hampered by state interference in the economy, 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.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	-0.2	Business Freedom	-0.5	Trade Freedom	-2.4
Freedom from Corruption	+1.0	Government Spending	+2.0	Labor Freedom	+4.9	Investment Freedom	0
				Monetary Freedom	-0.6	Financial Freedom	0