



Venezuela: World's Least Free Economy for Three Years Running

Canada, Chile Lead the Americas while Argentina Tanks to Worst Five on the Planet

By [Adriana Peralta](#)
October 10, 2014

The 2014 Economic Freedom of the World Index ([EFW](#)), published on October 7 by the [Fraser Institute](#), ranks Canada the freest economy in the Americas, and the seventh freest in the world. Venezuela, however, has the least free economy, as has been the case now for three years.

Since 1975, the [EFW](#) has measured 152 countries with regard to how their public and institutional policies are conducive to [economic freedom](#). To compile this index, the authors assess [42 variables](#) divided into five major categories: size of government; security of property rights; access to sound money; international trade freedom; and regulatory environment.

According to the 282-page ranking report, based on 2012 data, the nation with the greatest economic freedom is Hong Kong, with 8.98 out of a maximum 10 points. She is followed by Singapore (2), New Zealand (3), Switzerland (4), and Mauritius (5). In the Americas, Chile is the next best after Canada in 10th place, and then the United States is 12th.

The authors contend that the effects of [economic freedom](#) are easily seen by comparing Gross Domestic Product (GDP) per capita across countries. Those in the top quartile of this index, for example, have a GDP per capita average of US\$39,899 compared to US\$6,253 among the bottom quartile.

Latin America Stuck in Mediocrity

Latin America's [economic freedom](#) average has not changed significantly from the 2011 data, dropping ever so slightly from 6.72 to 6.71. [Juan Carlos Hidalgo](#), a Latin America public policy analyst with the Center for Global Liberty and Prosperity at the Cato Institute, shared his impression of the index with the *PanAm Post*.

“The region has remained stagnant for a decade, with deteriorating economic freedom in the worst countries being compensated for by advances in other countries.”

According to [Hidalgo](#), the region has benefited over the past decade from the boom in raw-material prices on international markets, causing many observers to overlook the urgent need for economic reforms.

“One of the parameters of economic freedom in which Latin America has missed opportunities is the improvement of labor regulations. A lot of this has to do with the state’s suffocation of entrepreneurship,” he says, “which encourages people to participate in the informal economy. This has a tangible impact on the poor areas; they remain excluded from the formal economy, because of existing barriers to entrepreneurship.”

The Pacific Alliance Better than the Rest

Chile is at the top of the heap in Latin America, at 10th freest and a score of 7.87. According to the index, the nation’s greatest economic advantage is freedom to trade in international markets, while her greatest weakness comes from opposition to private property, a hindrance shared by fellow [Pacific Alliance](#) nations Mexico (91) and Colombia (104).

The case of Peru is distinct. Since 1980, the country has consistently climbed the economic-freedom rankings. It was 41st in the 2007 release and now sits at 20th in 2014. Much like other members of the Pacific Alliance, it shares the advantage of a stable currency, while its greatest weakness is a lack of private-property protection.

“The Pacific Alliance is a bloc that aspires to represent open economies,” says [Hidalgo](#). “According to this index, these countries are, for the time being, open economies with regard to trade, but not necessarily countries with economic freedom.”

Mixed Results in Central America

Central American rankings are split, with Costa Rica at the top (23) and Belize at the bottom (82), and Nicaragua (36) and Guatemala (48) occupy the middle. The entire region shares the strength of relatively stable currencies, particularly El Salvador (60) and Panama (66), given their adoption of the US dollar.

The report’s authors say Central America must improve its protection of private property, with Honduras (55th) noted as the country in greatest need of reform.

“Although Honduras continues to improve its performance ... it is not improving at the speed necessary to overtake other countries’ advances,” says Guillermo Peña Panting, executive director of the [Eleutera Foundation](#) in San Pedro Sula. “The decision to remove the attorney general and the [four Supreme Court magistrates](#) had a negative effect on this year’s index ranking.”

Peña Panting [hopes](#) that the legislative changes that occurred during 2013 — including new energy laws, the simplification of business registration, the [ZEDEs](#), and systemic reforms to security and justice — will help to offset the competitive edge Honduras has lost over the rest of Central America through poor fiscal management.

Mercosur out the Back Door

The rankings for the five nations within the Common Southern Market ([Mercosur](#)) are the worst on the continent. Although Uruguay manages 47th, Venezuela (152) and Argentina (149) are among the five least free economies in the world, and Paraguay (87) and Brazil (103) also struggle. The only solace for Venezuela may come from the fact that other oppressed nations such as Cuba and North Korea do not have sufficient data to be included in the ranking.