

GIEM
2020

Global Index of
Economic Mentality



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Why Measure Economic Mentality?

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Economic freedom correlates with poverty reduction and other positive social indicators.

Achieving and preserving economic freedom in a country may depend upon having a certain level of consensus among the public about the desirability of these institutions.

Mentality Matters

Economic historian and Nobel laureate **Douglass North**, in his later works, shifted his focus to the strong influence of common cultural heritages on economic performance.

Michael Porter argued that institutional frameworks favorable for growth are built on the economic culture or mentality of the population.

Dierdre McCloskey's trilogy on “The Bourgeois Era” concludes that the central cause of the industrial revolution was ideological.

The Overton Window

Many in the think tank community are familiar with the concept of the Overton Window – the idea that at only a range of policies appear “politically acceptable” to the mainstream population at a given time.

Partners of Atlas Network aim to shift the Overton Window so there is greater consideration of policies consistent with our vision of free markets and limited government restrained by the rule of law.

But how can we actually measure the Overton Window?

What is the Global Index of Economic Mentality (GIEM)?

A cross-country study that measures popular support for economic freedom.

Where GIEM scores are high, people do not expect government to play a major role in directing or regulating economic activity, or in redistributing income.

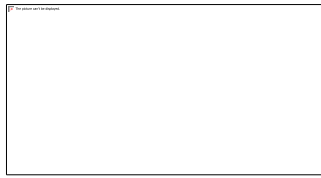
The populations of these countries largely favor an institutional framework that prioritizes private initiative, free competition, and personal responsibility.

The Association between GIEM, Economic Freedom, and Prosperity

When countries are grouped into quartiles (high to low GIEM rankings), we observe a correlation between capitalist mentality and economic efficient institutions (measured by EFW-Fraser Institute) and per-capita GDP (estimated by IMF for 2020).

Quartile	GIEM2020	Fraser2017	IPCIMF2020
First	0.7	7.6	33936
Second	0.5	7.3	34580
Third	0.4	6.9	25115
Fourth	0.3	6.4	18841

Building the GIEM



European *Values* Study

The GIEM averages three variables, which are based on responses to the 7 Wave of the World Values Survey and the European Values Study (WVS and EVS databases combined) taken during 2017-2020.

EFFICIENCY — capturing the support of a competitive economy led by the private sector.

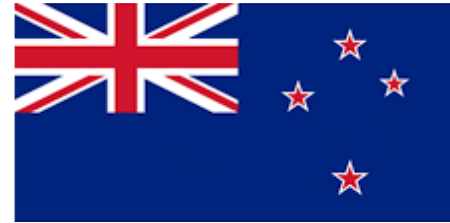
REDISTRIBUTION — capturing the opinion that distribution of income and wealth should not be strongly altered by the political system.

RESPONSIBILITY — capturing the primacy of individual responsibility and personal effort in the determination of the economic position of individuals.

Each country included in GIEM saw ~1500 of their citizens surveyed via the WVS/EVS.

GIEM 2020

GIEM 2020 Rankings



Top Scoring Countries

1. New Zealand
2. Czech Republic
3. Sweden
4. United States
5. Denmark

Lowest Scoring Countries

74. Bosnia
73. Bangladesh
72. Myanmar
71. Montenegro
70. Azerbaijan

The “GIEM champion” countries also rank highly on Fraser’s *Economic Freedom of the World* report, Heritage Foundation’s *Index of Economic Freedom*, and *Doing Business* prepared by the World Bank.

GIEM 2020 Rankings

Ranking	Country	GIEM
1	New Zealand	0.76
2	Czech R.	0.75
3	Sweden	0.73
4	United States	0.71
5	Denmark	0.67
6	Bulgaria	0.66
7	Romania	0.66
8	Georgia	0.65
9	Australia	0.64
10	Poland	0.64
11	Estonia	0.63
12	Albania	0.63
13	Armenia	0.63
14	Slovenia	0.62
15	Belarus	0.61
16	Great Britain	0.60
17	Colombia	0.60
18	Taiwan	0.60
19	Vietnam	0.59
20	Guatemala	0.59
21	Switzerland	0.58
22	Malaysia	0.58
23	Hong Kong	0.57
24	Hungary	0.56
25	France	0.55

Ranking	Country	GIEM
26	Nicaragua	0.53
27	Brazil	0.53
28	Norway	0.53
29	Netherlands	0.52
30	North Macedonia	0.52
31	Mexico	0.52
32	Japan	0.52
33	Germany	0.51
34	Slovakia	0.51
35	Peru	0.51
36	Ethiopia	0.51
37	Austria	0.51
38	Jordan	0.49
39	Serbia	0.49
40	Finland	0.48
41	Iceland	0.48
42	Ecuador	0.48
43	Kyrgyzstan	0.47
44	Thailand	0.47
45	Croatia	0.47
46	Lithuania	0.47
47	Nigeria	0.45
48	Cyprus	0.45
49	South Korea	0.44
50	Philippines	0.43

Ranking	Country	GIEM
51	China	0.43
52	Italy	0.42
53	Greece	0.42
54	Bolivia	0.41
55	Zimbabwe	0.40
56	Iraq	0.40
57	Lebanon	0.40
58	Kazakhstan	0.40
59	Tajikistan	0.37
60	Pakistan	0.36
61	Turkey	0.35
62	Spain	0.35
63	Argentina	0.35
64	Chile	0.34
65	Indonesia	0.33
66	Tunisia	0.33
67	Iran	0.33
68	Egypt	0.32
69	Russia	0.32
70	Azerbaijan	0.32
71	Montenegro	0.30
72	Myanmar	0.27
73	Bangladesh	0.27
74	Bosnia	0.24

GIEM Regional Analysis

We grouped countries by region according to categories used internally by Atlas Network criteria. We find the highest GIEM scores in the United States and in Australia/New Zealand, while the lowest appear in Central and South Asia.

Conglomerate	Efficiency	Redistribution	Responsibility	GIEM 2020
United States	0.87	0.84	0.42	0.71
Australia and New Zealand	0.73	0.81	0.56	0.70
Europe	0.58	0.48	0.52	0.53
Latin America	0.30	0.68	0.49	0.49
East Asia and Pacific	0.44	0.44	0.55	0.48
Sub Saharan Africa	0.47	0.46	0.43	0.45
West Asia and North Africa	0.48	0.40	0.41	0.43
Central and South Asia	0.35	0.19	0.56	0.37

1. United States (0.71)

This cluster includes only one country, as current data for Canada is unavailable.

The U.S. is one of the GIEM Champions

Broad characteristics: In the United States people value private competition, do not prize income transfers, but score somewhat lower in the category of personal responsibility.

Ranking	Efficiency	Redistribution	Responsibility	GIEM 2020
4	0.87	0.84	0.42	0.71

2. Australia and New Zealand (0.70)

GIEM Champion: New Zealand, with the highest GIEM value in the sample

Broad characteristics: Similar to the U.S., people in these two nations value private competition, do not prize income transfers, but are somewhat lower in the category of personal responsibility.

Ranking	Country	Efficiency	Redistribution	Responsibility	GIEM
1	New Zealand	0.82	0.85	0.60	0.76
9	Australia	0.65	0.76	0.52	0.64
	Average	0.73	0.81	0.56	0.70

3. Europe (0.53)

GIEM Champions: 3. Czech Republic, Sweden and Denmark

Broad characteristics:

- GIEM values among members of this region are greatly dispersed. We tend to see higher values in Northern Europe and lower in Southern Europe.
- Interestingly, several ex-communist countries in Eastern Europe present high GIEM values.
- Important countries like Russia, Spain, Greece and Italy present very low GIEM scores.

Ranking	Country	Efficiency	Redistribution	Responsibility	GIEM
2	Czech R.	0.73	0.97	0.54	0.75
3	Sweden	0.77	0.65	0.75	0.73
5	Denmark	0.78	0.58	0.66	0.67
6	Bulgaria	0.54	0.78	0.67	0.66
7	Romania	0.66	0.49	0.82	0.66
10	Poland	0.48	0.73	0.71	0.64
11	Estonia	0.73	0.49	0.68	0.63
12	Albania	0.96	0.33	0.60	0.63
14	Slovenia	0.62	0.63	0.60	0.62
15	Belarus	0.74	0.45	0.64	0.61
16	Great Britain	0.56	0.64	0.62	0.60
21	Switzerland	0.66	0.47	0.62	0.58
24	Hungary	0.67	0.49	0.53	0.56
25	France	0.51	0.59	0.55	0.55
28	Norway	0.66	0.35	0.58	0.53
29	Netherlands	0.34	0.66	0.57	0.52
30	North Macedonia	0.52	0.60	0.44	0.52
33	Germany	0.64	0.40	0.51	0.51
34	Slovakia	0.51	0.60	0.42	0.51
37	Austria	0.71	0.25	0.55	0.51
39	Serbia	0.48	0.55	0.43	0.49
40	Finland	0.58	0.28	0.59	0.48
41	Iceland	0.71	0.35	0.38	0.48
45	Croatia	0.62	0.34	0.44	0.47
46	Lithuania	0.56	0.33	0.51	0.47
48	Cyprus	0.67	0.47	0.22	0.45
52	Italy	0.52	0.26	0.49	0.42
53	Greece	0.63	0.44	0.19	0.42
62	Spain	0.30	0.40	0.36	0.35
69	Russia	0.28	0.17	0.50	0.32
71	Montenegro	0.24	0.44	0.23	0.30
74	Bosnia	0.26	0.23	0.22	0.24
	Average	0.58	0.48	0.52	0.53

4. Latin America (0.49)

This cluster includes countries that share a latin or indigenous culture.

FEMI Champions: None. Colombia and Guatemala lead the region; Argentina and Chile present the lowest values.

Characteristics: Although one of the most unequal regions in the globe, the population does not seem to prioritize income redistribution. At the same time, it does not favor private initiative or competition.

Ranking	Country	Efficiency	Redistribution	Responsibility	GIEM
17	Colombia	0.27	0.94	0.59	0.60
20	Guatemala	0.24	0.82	0.71	0.59
26	Nicaragua	0.08	0.72	0.80	0.53
27	Brazil	0.65	0.81	0.14	0.53
31	Mexico	0.35	0.75	0.45	0.52
35	Peru	0.47	0.56	0.50	0.51
42	Ecuador	0.25	0.71	0.47	0.48
54	Bolivia	0.09	0.53	0.63	0.41
63	Argentina	0.23	0.41	0.41	0.35
64	Chile	0.35	0.52	0.17	0.34
	Average	0.30	0.68	0.49	0.49

5. East Asia and Pacific (0.48)

FEMI Champions: None. This cluster includes many countries that share a Chinese culture.

Broad conclusions: The region is quite homogeneous in its valuation of the market economy. Only Indonesia and Myanmar have low values.

East Asia and Pacific					
Ranking	Country	Efficiency	Redistribution	Responsibility	GIEM
18	Taiwan	0.66	0.45	0.68	0.60
19	Vietnam	0.81	0.10	0.87	0.59
22	Malaysia	0.46	0.73	0.56	0.58
23	Hong Kong	0.45	0.67	0.59	0.57
32	Japan	0.69	0.63	0.23	0.52
44	Thailand	0.11	0.84	0.45	0.47
49	South Korea	0.31	0.41	0.58	0.44
50	Philippines	0.25	0.42	0.63	0.43
51	China	0.55	0.30	0.44	0.43
65	Indonesia	0.19	0.24	0.58	0.33
72	Myanmar	0.34	0.06	0.40	0.27
	Average	0.44	0.44	0.55	0.48

6. Sub Saharan Africa (0.45)

Data is currently available only for three countries in Sub Saharan Africa.

FEMI Champions: none.

Broad conclusions: Medium values for the three variables.

Ranking	Country	Efficiency	Redistribution	Responsability	GIEM
36	Ethiopia	0.65	0.37	0.50	0.51
47	Nigeria	0.32	0.59	0.46	0.45
55	Zimbabwe	0.45	0.42	0.33	0.40
	Average	0.47	0.46	0.43	0.45

7. West Asia and North Africa (0.43)

FEMI Champions: None.

Broad conclusions: All variables present low values, especially in the redistribution and responsibility categories. Market-friendly exceptions are Georgia and Armenia.

West Asia and North Africa

Ranking	Country	Efficiency	Redistribution	Responsibility	GIEM
8	Georgia	0.58	0.83	0.55	0.65
13	Armenia	0.58	0.73	0.59	0.63
38	Jordan	0.74	0.34	0.39	0.49
56	Iraq	0.45	0.18	0.56	0.40
57	Lebanon	0.41	0.36	0.42	0.40
61	Turkey	0.24	0.46	0.35	0.35
66	Tunisia	0.43	0.27	0.28	0.33
68	Egypt	0.55	0.10	0.30	0.32
70	Azerbaijan	0.34	0.34	0.27	0.32
	Average	0.48	0.40	0.41	0.43

8. Central and South Asia (0.43)

GIEM Champions: None.

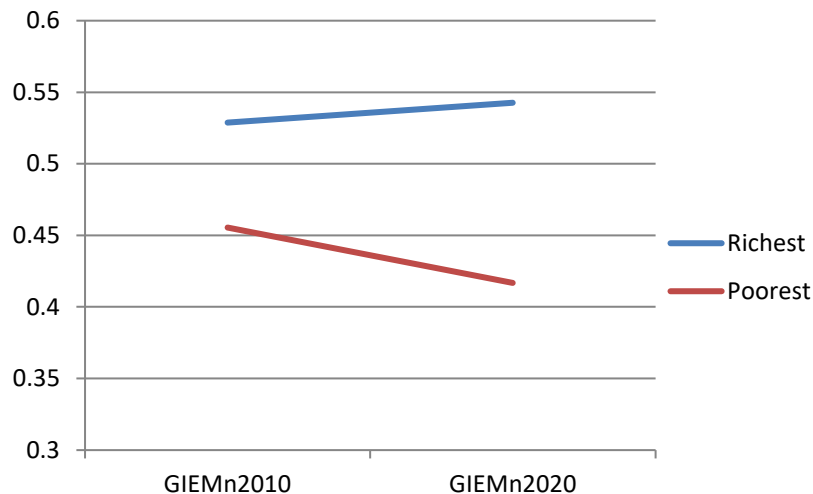
Broad conclusions: All variables low, especially in redistribution and efficiency.

Ranking	Country	Efficiency	Redistribution	Responsibility	GIEM
43	Kyrgyzstan	0.17	0.43	0.81	0.47
58	Kazakhstan	0.31	0.27	0.61	0.40
59	Tajikistan	0.16	0.20	0.76	0.37
60	Pakistan	0.31	0.12	0.65	0.36
67	Iran	0.45	0.09	0.44	0.33
73	Bangladesh	0.69	0.00	0.11	0.27
	Average	0.35	0.19	0.56	0.37

GIEM Trends Over Time

At a global level, we see GIEMn (narrow sample) scores have stabilized over the past decade, after declining during the period 1990 -2010.

However, an important divergence can be observed in the last decade between the richer 50% of countries (avg ipc \$46.6k) and the poorer 50% of countries in the sample (avg ipc \$16.1k).



In the former, GIEMn scores are stable or growing. In the latter, they are declining. If GIEM translates into institutions, existing economic disparities between rich and poor countries will be exacerbated in the future.

GIEM Among Generations

At a global level, there is no marked difference between GIEM scores of those above the age of 40, vs. those below.

In Eastern Europe, those who attended high school after the fall of the Berlin Wall are more pro market than those educated under communism. This is especially clear in Bosnia and Russia. A similar phenomenon is observed In China and Vietnam.

If we construct a GIEM 2020 index that includes only the younger generation, most “GIEM Champions” would belong to Eastern Europe: 1) Czech Republic, 2) Romania, 3) Estonia, 4) Georgia, 5) Poland.

The United States stands out for its more anti-market younger generation. This country is the most extreme case in the world. (GIEM old 0.74; GIEM young 0.62). A similar phenomenon occurs in New Zealand and Australia.

APPENDIX: FREE ECONOMIC MENTALITY INDEX 2020.

a) STRUCTURE

The index is the average of three variables, which in turn are made up of different responses to the 7th Wave of the World Values Survey and the European Values Study (WVS and EVS databases combined) taken during the period 2017-2020:

1. **EFFICIENCY** (weight 33%). The variable captures the support of a competitive economy led by the private sector.

Questions used:

- Q107 Private ownership of business and industry should be increased.
- Q109 Competition is good Competition is harmful.

2. **REDISTRIBUTION** (weight 33%). This variable captures the opinion that the distribution of income and wealth should not be strongly altered by the action of the political system.

Questions used:

- Many things are desirable, but not all of them are essential characteristics of democracy. Please tell me for each of the following things how essential you think it is as a characteristic of democracy. Q241 Governments tax the rich and subsidize the poor.
- Many things are desirable, but not all of them are essential characteristics of democracy. Please tell me for each of the following things how essential you think it is as a characteristic of democracy. Q247 The state makes people's incomes equal.

3. **RESPONSIBILITY** (weight 33%). This variable captures the primacy of individual responsibility and personal effort in the determination of the economic position of individuals.

Questions used:

- Q106 Incomes should be made more equal. There should be greater incentives for individual effort.
- Q108 Government should take more responsibility to ensure that everyone is provided for. People should take more responsibility to provide for themselves.

b) METHODOLOGY

To construct the index, the six variables for each country were normalized using the following formula: $(\text{value of the country} - \text{average of the three lowest values of the full global sample}) / (\text{average of the three highest values of the sample} - \text{average of the three lowest values of the sample})$. Before this calculation, the highest and lowest values found in the sample for each variable were set to one and zero as outliers, and the average value of the next highest and lowest three variables was used as the maximum and the minimum to normalize the original values. The normalized results of the two questions relating to specific variables were then averaged to get variable scores for each country. The overall GIEM score for a country represents the average of the three equally-weighted variables.

Within the WVS/EVS questions utilized here, individuals were required to answer questions using a 1-10 or a 0-10 scale. For the GIEM, the scales were arranged so that the highest values correspond to the highest appreciation of the market economy. The individual answers for each question were then averaged to get a value for each country.

c) NOTES

The Narrow Index: to explore longitudinal trends we used only Q107, Q108 and Q109 as the other questions were not available for earlier waves of the WVS/EVS. The methodology employed was otherwise identical to that used for the broader GIEM.

World Map used on our cover by Avnihan Kırışık from the Noun Project

In the slide “The Association between GIEM, Economic Freedom, and Prosperity,” Hong Kong was excluded because its high income per capita and very small population distorted averages.