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REPORT

WEALTH OF NATIONS INDEX EDITION 2023



**WEALTH OF
NATIONS
INDEX**



Wealth of Nations Index and Poland's position after the COVID-19 epidemic

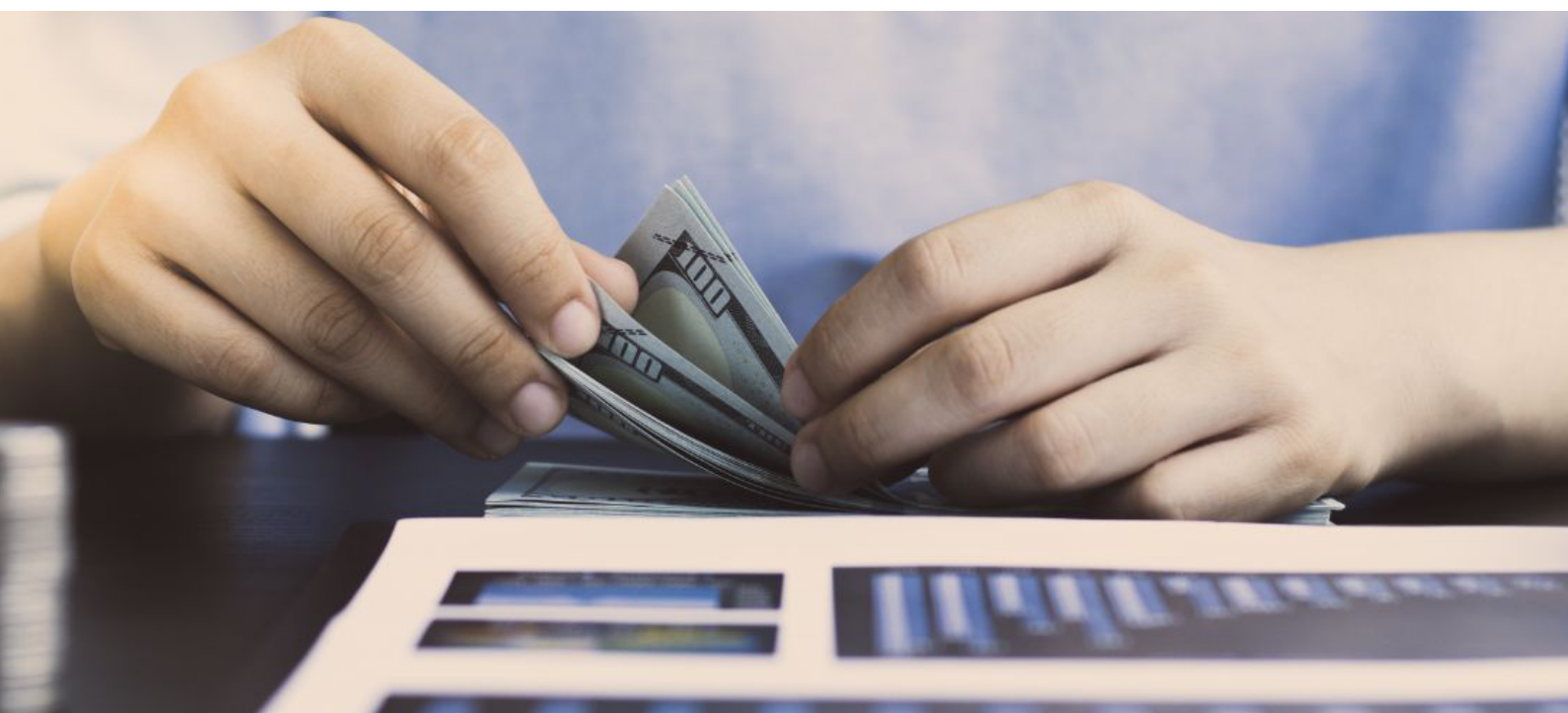
This year's (i.e., third) edition of the Index of the Wealth of Nations, like the previous one, covers all OECD and European Union countries. This time the indications of the WNI correspond to the conditions at the beginning of 2022, i.e. the moment of exit from the COVID-19 epidemic. It is thus interesting to juxtapose them with the first edition of the index, which depicted the situation on the eve of the pandemic; one can thus see how the economies examined in both the first and current study (i.e. the EU countries and the United Kingdom) have coped with the global socio-economic crisis.

The West in the Red, The East in the Black

The pattern among EU countries is a decrease in the indication of WNI in the west of the continent and increases observed in the east. The largest EU economies lost compared to 2020: Germany 2.1 points (2.2%), France 3.4 points (4.2%), and Italy 0.7 point (0.9%). The United Kingdom also

recorded a decline (4.4 points, or 5.1%). Thus, it can be seen that the shock of the epidemic and the accompanying policies of the governments has left such a mark on Western European countries that full economic recovery is still to come. The exceptions to the rule in question are Denmark (0.5 points of growth, or 0.5%) and Sweden (2.9 points of growth, or 3.7%), as well as Ireland, but, as every year, we consider this last country's result to be unreliable due to the peculiarities of Irish national income.

On the other hand, Eastern European countries, at least in the economic aspect, seem to have left the COVID-19 epidemic behind. With few exceptions such as Czechia, our region's economies recorded higher WNI scores than two editions ago. Poland is leading with 4.2 points (7.0%) above the score of two years ago. Croatia (plus 3.7 points, or 6.4%), Lithuania (3.6 points, or 5.1%), Bulgaria (2.1 points, or 4.5%) or Estonia (2.9 points, or 4.1%) did almost equally well.



Country	IWP spring 2022 (i.e. 2023's edition)	IWP spring 2020 (i.e. 2021's edition)	Change	Change %
Austria	95,0	100,0	-5,0	-5,0%
Belgium	87,2	89,1	-1,9	-2,1%
Bulgaria	49,0	46,9	+2,1	+4,5%
Croatia	61,2	57,5	+3,7	+6,4%
Czechia	74,8	75,6	-0,8	-1,0%
Denmark	99,3	98,8	+0,5	+0,5%
Estonia	73,0	70,1	+2,9	+4,1%
Finland	86,2	87,3	-0,9	+1,0%
France	78,1	81,5	-3,4	-4,2%
Germany	92,4	94,3	-2,1	-2,2%
Greece	56,3	57,6	-1,3	-2,3%
Hungary	60,0	58,5	+1,5	+2,6%
Italy	76,2	76,9	-0,7	-0,9%
Ireland	172,9	146,6	+26,3	+17,9%
Latvia	60,1	58,3	+1,8	+3,1%
Lithuania	73,9	70,3	+3,6	+5,1%
Poland	64,4	60,2	+4,2	+7,0%
Portugal	67,8	70,5	-2,7	-3,8%
Romania	58,7	56,2	+1,5	+2,7%
Spain	71,5	75,9	-4,4	-5,8%
Slovakia	60,8	60,4	+0,4	+0,7%
Slovenia	74,0	74,2	-0,2	-0,3%
Sweden	89,0	86,1	+2,9	+3,7%
The Netherlands	93,3	95,1	-1,8	-1,9%
United Kingdom	81,4	85,8	-4,4	-5,1%



Not much change in the overall ranking. Poland ranked 27th and aims higher

Compared to last year, there have been few changes in the WNI ranking. If Ireland is excluded, the first place is invariably held by Switzerland (131 points), which is clearly behind the United States (111.6). Norway (108.1) was promoted up by one place, swapping places with Denmark (99.3), which is also the highest scaled EU economy. It is followed by Austria (95.0), the Netherlands (93.3) and Germany (92.4).

After last year's promotion, this year Poland maintained its 27th position in the WNI ranking with a score of 64.4 points; if the growth rate of Poland's WNI can be maintained in the next two or three years, we should expect to overtake Portugal (67.8 points in the current edition). At the same time, it should be noted that the private economy is responsible for all of this year's growth in Poland's WNI: our index is the sum of real private spending *per capita* and the quality index of public spending, and the latter, in the case of Poland, declined year-on-year from 61.2 to 59.1, or by 2.1 points. This was one of the largest declines in the quality of public spending in the entire study group – only Ireland (–4.5 points), Slovakia, and Chile (–3.0 points each) recorded larger declines.

Switzerland and the US are drifting away from Europe

The widening gap between the two leading economies in terms of WNI, namely Switzerland and the US, and Europe is worth mentioning. Both countries debuted in last year's edition of the index; even then it seemed that the difference between the richest countries in the European Union, namely Denmark and Austria, and the United States was not huge. In the meantime, however, the US have accelerated signifi-

cantly, while Western Europe, as described above, has not performed well.

The widening gap between the US and Western Europe seems to be yet another episode of economic divergence between the two economic areas; while as recently as the second half of the 1980s and early 1990s, the GDP *per capita* of Germany and the US in absolute terms was comparable, and the difference between living standards in the two countries was accounted for only by the slightly higher purchasing power of Americans, today the productivity of European economies is significantly behind that of the US. This is clearly reflected in the WNI as well, and this is despite the fact that in terms of the quality of public spending, the U.S. is not doing so well: with a score of 66.9 on the Quality of Public Spending Index, it ranks among such countries as Italy (66.2) and Lithuania (65.7).

The amount of spending is reflected in the quality but there is someone to learn from

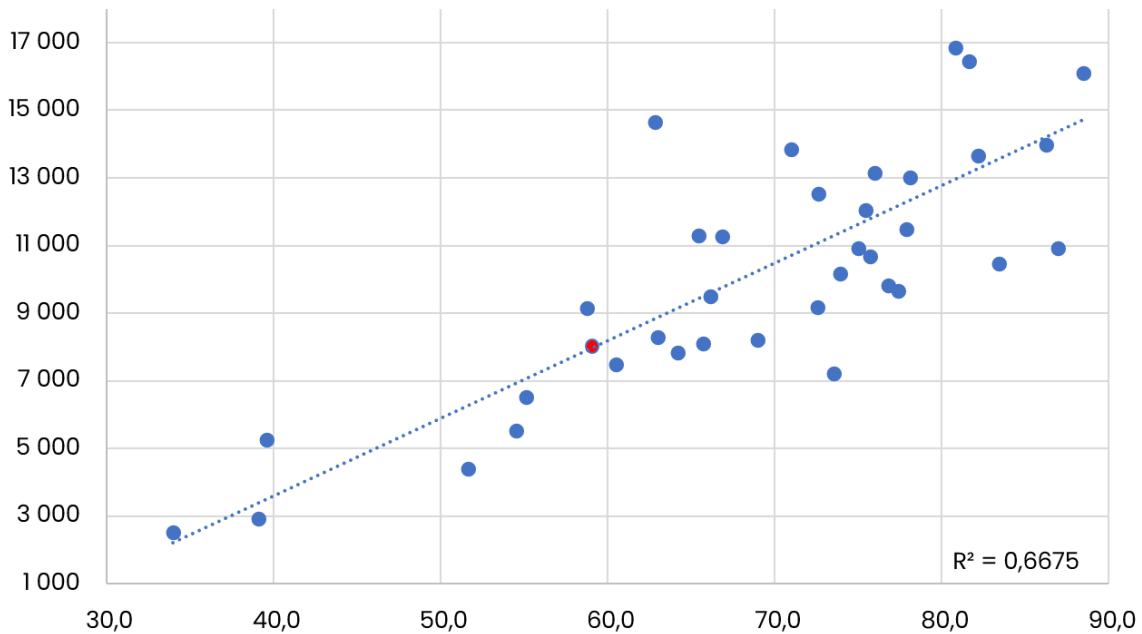
This is also not the first time we have seen that the quality of public spending correlates strongly with its amount *per capita*. This year, the ratio of the quality of Polish public spending to zlotys spent is almost exactly average among the group of countries surveyed. Countries that lie below the dotted line of best fit can be said to spend public funds better than they should in their fiscal situation. Those whose scores lie above it do the opposite. Poland (marked in red) is exactly on it, which means that in the studied group of countries it achieves average efficiency in the use of public money.

The most interesting cases are those countries that achieve high indications of the quality of public spending index at a relatively low cost. Portugal, for example,

spends, 10% less money per citizen than Poland, but provides a quality of public spending of 73.6 - this is higher not only than Poland, but also, for example, France (72.7) or Spain (72.6), and not much lower than Canada (75.5) and New Zealand

(75.0) - countries where governments spend more than 50% *per capita*. Other countries with good price/quality ratios for public spending are, for example, Croatia and Switzerland.

Graph. Public spending *per capita* [international \$] vs quality index of public spending



Before the Next Edition of WNI

As we pointed out at the beginning, the current edition of the WNI illustrates the situation at the beginning of 2022. This means that it depicts the reality before Russia's invasion on Ukraine, and therefore also before the economic turbulence caused by this event. Next year's edition of our index will attempt to answer the question of how the studied economies are doing a year after the start of the war.



Table 1. Wealth of Nations Index

Ranking position	Country	Total score	Advancement/decline relative to 2022
1	Ireland	172,9	0
2	Switzerland	131,0	0
3	United States	111,6	0
4	Norway	108,1	↑ 1
5	Denmark	99,3	↓ 1
6	Austria	95,0	0
7	The Netherlands	93,3	0
8	Germany	92,4	0
9	Sweden	89,0	↑ 1
10	Australia	87,3	↓ 1
11	Belgium	87,2	0
12	Finland	86,2	0
13	Canada	84,9	↑ 2
14	South Korea	83,2	↓ 1
15	United Kingdom	81,4	↓ 1
16	France	78,1	↑ 1
17	New Zealand	78,0	↓ 1
18	Japan	77,5	0
19	Italy	76,2	↑ 1
20	Czechia	74,8	↓ 1
21	Slovenia	74,0	0
22	Lithuania	73,9	0
23	Israel	73,1	↑ 2
24	Estonia	73,0	0
25	Spain	71,5	↓ 2
26	Portugal	67,8	0
27	Poland	64,4	0
28	Croatia	61,2	↑ 4
29	Slovak Republic	60,8	↓ 1
30	Latvia	60,1	↓ 1
31	Hungary	60,0	↓ 1
32	Romania	58,7	↓ 1
33	Turkey	57,6	↑ 2
34	Greece	56,3	↓ 1
35	Chile	52,0	↓ 1
36	Bulgaria	49,0	0
37	Mexico	39,0	0
38	Colombia	31,9	0

WNI does not include Cyprus, Luxembourg, Malta, Iceland and Costa Rica.

Table 2. Private expenditure *per capita* (2017 USD PPP)

Ranking position	Country	Total score	Advancement/decline relative to 2022
1	Ireland	87 869	0
2	Switzerland	60 145	0
3	United States	52 426	0
4	Norway	46 940	0
5	Denmark	41 903	0
6	Austria	40 495	0
7	Germany	40 022	↑ 1
8	The Netherlands	39 778	↓ 1
9	Belgium	37 904	↑ 1
10	Sweden	37 179	↑ 1
11	Australia	36 774	↓ 2
12	Canada	35 846	↑ 3
13	Finland	34 812	↓ 1
14	South Korea	34 576	↓ 1
15	United Kingdom	33 503	↓ 1
16	France	32 468	↑ 1
17	Italy	32 434	↑ 1
18	New Zealand	32 021	↓ 2
19	Lithuania	31 198	↑ 2
20	Israel	30 770	↑ 3
21	Japan	30 347	↓ 2
22	Czechia	30 081	↓ 2
23	Slovenia	29 896	↓ 1
24	Estonia	28 891	↑ 1
25	Spain	28 746	↓ 1
26	Poland	26 909	↑ 1
27	Portugal	26 472	↓ 1
28	Turkey	26 202	↑ 4
29	Hungary	24 473	0
30	Romania	24 276	↓ 2
31	Slovak Republic	24 019	↓ 1
32	Latvia	23 808	↓ 1
33	Croatia	23 439	↑ 1
34	Greece	22 089	↓ 1
35	Chile	21 063	0
36	Bulgaria	18 877	0
37	Mexico	16 564	0
38	Colombia	11 720	0

Table 3. Public spending scores

Ranking position	Country	Total score	Advancement/decline relative to 2022
1	Denmark	88,5	↑5
2	Norway	88,1	↓1
3	Switzerland	87,0	↑2
4	Finland	86,3	↓1
5	Austria	83,5	↓3
6	Japan	82,2	↓2
7	Sweden	81,7	↑1
8	The Netherlands	80,8	↓1
9	Australia	78,1	0
10	United Kingdom	77,9	↑1
11	South Korea	77,4	↑5
12	Estonia	76,8	0
13	Germany	76,0	↓3
14	Czechia	75,8	↑3
15	Canada	75,5	↓2
16	New Zealand	75,0	↓1
17	Slovenia	74,0	↓3
18	Portugal	73,6	0
19	France	72,7	0
20	Spain	72,6	0
21	Belgium	71,0	0
22	Croatia	69,0	0
23	United States	66,9	↑3
24	Italy	66,2	↑3
25	Lithuania	65,7	0
26	Israel	65,5	↑2
27	Slovak Republic	64,2	↓3
28	Latvia	63,0	↑1
29	Ireland	62,9	↓6
30	Greece	60,5	0
31	Poland	59,1	0
32	Hungary	58,8	0
33	Romania	55,2	↑1
34	Bulgaria	54,6	↑1
35	Chile	51,7	↓2
36	Turkey	39,6	0
37	Colombia	39,2	0
38	Mexico	34	0

Table 4. Military potential

Ranking position	Country	Total score	Advancement/decline relative to 2022
1	South Korea	95,2	↑ 2
2	Japan	93,6	↑ 2
3	United Kingdom	93,5	↑ 6
4	Norway	93,4	↓ 3
4	Australia	93,4	↑ 1
6	France	92,7	0
7	Switzerland	91,9	↓ 5
8	Sweden	91,6	↓ 2
9	United States	91,3	↑ 1
10	Israel	90,6	↑ 4
11	Italy	89,5	↓ 3
12	Greece	88,5	↓ 1
13	Czechia	86,4	↓ 1
14	Croatia	85,9	↑ 2
15	Denmark	85,4	↓ 2
16	Spain	84,4	↑ 4
17	Finland	84,2	↓ 2
18	Germany	84,1	0
19	Canada	83,4	↓ 1
20	Portugal	82,8	↑ 1
21	Slovak Republic	82,4	↓ 4
22	Turkey	80,6	↑ 5
23	The Netherlands	79,6	↓ 1
24	Austria	79,1	0
25	Poland	78,4	↓ 2
26	Hungary	78,1	0
27	Romania	77,5	2
28	Slovak Republic	77,2	↓ 3
29	Belgium	74,8	↑ 1
30	Lithuania	74,0	↓ 2
31	Estonia	72,2	0
32	Latvia	71,4	0
33	New Zealand	66,7	0
34	Chile	64,9	0
35	Belgium	63,9	0
36	Ireland	51,3	0
37	Colombia	47,3	0
38	Mexico	19,2	0

Table 5. Internal security

Ranking position	Country	Total score	Advancement/decline relative to 2022
1	Switzerland	98,9	↑ 2
2	Japan	98,8	↓ 1
3	Slovenia	98,6	↓ 1
4	Czechia	96,2	↑ 3
5	Austria	96,0	↓ 1
6	Croatia	95,9	↑ 4
7	Denmark	95,6	↓ 2
8	Estonia	93,3	0
9	Finland	93,2	↓ 3
10	Portugal	92,2	↓ 1
11	The Netherlands	91,7	0
12	Slovak Republic	90,1	↑ 1
13	Poland	89,7	↑ 1
14	South Korea	89,6	↑ 1
15	Romania	89,4	↓ 3
16	Hungary	87,8	↑ 3
17	Norway	87,5	↑ 1
18	Spain	85,7	↓ 1
19	Germany	85,4	↓ 3
20	Lithuania	84,7	↑ 0
21	Bulgaria	82,5	↑ 4
22	New Zealand	82,1	↓ 1
23	Canada	80,9	↓ 1
24	Latvia	80,8	0
25	Ireland	80,0	↑ 1
26	Australia	77,9	↓ 3
27	Belgium	77,1	0
28	Italy	75,8	↑ 2
29	Israel	74,9	↑ 3
30	United Kingdom	74,4	↑ 1
31	Sweden	73,6	↓ 2
32	Greece	71,5	↓ 4
33	France	66,6	↑ 1
34	Turkey	66,0	↑ 2
34	Chile	66,0	↓ 1
36	United States	63,3	↓ 1
37	Mexico	56,6	0
38	Colombia	51,8	↑ 1

Table 6. Infrastructure

Ranking position	Country	Total score	Advancement/decline relative to 2022
1	Sweden	98,0	↑23
2	Switzerland	97,0	↓1
3	Finland	96,0	↑8
3	Norway	96,0	↑11
5	United Kingdom	94,8	↑1
6	Denmark	93,9	↑1
7	Japan	92,8	↓5
8	Austria	92,6	↑2
9	South Korea	91,3	↓4
10	Spain	90,5	↓6
11	The Netherlands	90,1	↓8
12	France	90,0	↓3
13	United States	89,9	↓1
14	Germany	88,9	↓6
15	Australia	88,8	↑4
15	Czechia	88,1	↓1
17	Italy	87,8	↓4
18	Ireland	87,7	0
19	Canada	86,4	↑1
20	Estonia	85,9	↑11
21	New Zealand	85,3	↑1
22	Slovenia	84,1	↑5
23	Romania	82,9	↑10
24	Hungary	82,6	↓2
25	Bulgaria	81,9	↑7
26	Croatia	81,3	↑2
27	Belgium	80,7	↓12
27	Portugal	80,7	↓10
29	Poland	80,6	↓3
30	Slovenia	80,0	↓5
31	Turkey	77,2	↑5
32	Greece	76,8	↓2
33	Israel	76,4	↓13
34	Chile	75,9	↑1
35	Lithuania	74,7	↓6
36	Colombia	71,4	↑2
37	Mexico	71,1	0
38	Latvia	68,6	↓4

Table 7. State of the environment

Ranking position	Country	Total score	Advancement/decline relative to 2022
1	Finland	99,3	0
2	Sweden	96,7	0
3	Norway	94,0	↑ 3
4	Switzerland	92,7	↑ 1
5	Denmark	91,0	↓ 2
6	New Zealand	90,0	↑ 4
7	Austria	89,6	↓ 3
8	Australia	87,7	↑ 5
9	Estonia	87,6	↓ 2
10	Canada	85,8	↑ 6
11	Germany	85,5	↓ 3
12	The Netherlands	84,5	↓ 1
12	Slovenia	84,5	0
14	Ireland	84,3	↓ 5
15	Japan	80,4	↑ 5
16	Portugal	79,9	↓ 2
17	United Kingdom	79,6	↓ 3
18	United States	79,6	↑ 3
19	France	79,5	↓ 2
20	Lithuania	79,4	↓ 2
21	Latvia	76,4	↑ 1
22	Spain	76,1	↓ 3
23	Czechia	74,7	↑ 1
24	Croatia	73,9	↓ 1
25	Slovak Republic	72,5	0
26	Belgium	71,0	0
27	Greece	69,5	0
28	Italy	68,8	0
29	Israel	63,6	↑ 2
30	Hungary	63,0	↓ 1
31	South Korea	62,8	0
32	Poland	60,6	↓ 2
33	Colombia	57,5	0
34	Romania	56,6	0
35	Mexico	53,8	↑ 1
36	Turkey	51,8	↑ 2
37	Bulgaria	51,6	0
38	Chile	51,0	↓ 3

Table 8. Healthcare

Ranking position	Country	Total score	Advancement/decline relative to 2022
1	Japan	97,6	0
2	South Korea	95,8	↑ 1
3	Denmark	93,5	↓ 1
4	France	91,8	↑ 1
5	Austria	91,7	↑ 2
6	Norway	90,6	↓ 2
7	The Netherlands	89,8	↑ 4
8	Australia	89,8	↓ 2
9	Spain	89,2	↑ 2
10	Belgium	88,6	↑ 8
10	Switzerland	88,6	↓ 2
12	Finland	88,2	↓ 3
13	United Kingdom	88,1	↑ 3
14	Czechia	87,7	↑ 5
15	Germany	86,7	↓ 5
16	New Zealand	86,4	↓ 3
17	Israel	86,3	↓ 2
18	Canada	83,0	↓ 1
19	Sweden	82,9	↓ 5
20	Estonia	82,1	↑ 2
21	Italy	80,9	↓ 1
22	Colombia	79,8	↑ 4
23	Portugal	79,7	↓ 2
24	Slovenia	78,2	↓ 1
25	Mexico	77,4	↑ 2
26	United States	77,2	↑ 6
27	Croatia	76,5	↑ 1
28	Lithuania	76,3	↑ 2
29	Chile	75,3	↓ 5
30	Slovak Republic	74,3	↓ 1
31	Turkey	73,5	0
32	Greece	72,2	↑ 1
33	Poland	72,1	↓ 2
33	Latvia	71,7	0
34	Bulgaria	71,5	2
35	Romania	71,3	↓ 1
36	Ireland	71,1	↓ 12
37	Hungary	70,3	↓ 2

Table 9. Schooling

Ranking position	Country	Total score	Advancement/decline relative to 2022
1	Sweden	98,6	↑ 5
2	Norway	98,6	↑ 6
3	Belgium	98,3	↓ 1
4	Denmark	96,2	↑ 1
5	South Korea	95,0	↓ 1
6	Finland	94,4	↓ 5
7	New Zealand	93,0	↑ 3
8	The Netherlands	91,8	↑ 4
9	Canada	91,5	↓ 1
10	Portugal	91,4	↑ 9
11	Estonia	90,4	↓ 8
12	Slovenia	90,3	0
13	Germany	90,2	↑ 2
14	France	89,9	↑ 2
15	United Kingdom	89,7	↓ 1
16	Austria	89,1	↑ 5
17	Latvia	88,8	↑ 1
18	Poland	88,2	↓ 7
19	Israel	87,8	↑ 10
20	Japan	87,7	↓ 11
21	Italy	87,6	↑ 6
22	Australia	87,5	↓ 5
23	Spain	87,4	↑ 2
24	Czechia	86,8	↓ 4
24	Switzerland	86,8	↓ 4
25	Lithuania	85,5	↑ 1
27	Greece	84,7	↑ 5
28	Croatia	84,2	↑ 2
29	Hungary	83,9	↓ 2
30	United States	82,0	↓ 7
31	Ireland	78,1	↓ 9
32	Slovak Republic	76,9	↓ 8
33	Chile	76,4	0
34	Bulgaria	74,1	0
35	Romania	69,8	0
36	Mexico	68,5	0
37	Turkey	67,8	↓ 6
38	Colombia	63,2	↓ 1

Table 10. Higher education

Ranking position	Country	Total score	Advancement/decline relative to 2022
1	Switzerland	100	0
2	United Kingdom	99,8	0
3	Denmark	97,9	0
4	United States	97,0	0
5	Norway	96,1	0
6	Estonia	95,9	↑1
7	Sweden	95,8	↓1
8	Finland	95,2	0
9	Ireland	94,8	0
9	Australia	94,8	↑1
11	Belgium	94,7	0
12	The Netherlands	94,6	↓1
13	New Zealand	94,5	0
14	Canada	94,2	0
15	Latvia	92,3	↑3
16	Austria	92,0	↑1
17	Slovenia	91,7	↓2
18	Israel	91,3	↓3
19	Lithuania	90,2	0
20	France	87,0	0
21	Croatia	86,3	0
21	Portugal	86,3	↑1
23	Germany	84,5	0
24	Japan	83,4	0
25	Slovak Republic	83,3	↑1
26	Greece	82,8	↑1
27	South Korea	82,4	↑1
28	Czechia	82,2	↓3
29	Hungary	81,2	0
30	Bulgaria	79,4	0
31	Chile	77,3	0
32	Spain	74,9	0
33	Italy	73,7	0
34	Romania	63,6	0
35	Poland	63,0	0
36	Colombia	48,0	0
37	Turkey	37,8	0
38	Mexico	28,2	0

Table 11. Subcategory – freedom of press, expression and assembly

Ranking position	Country	Total score	Advancement/decline relative to 2022
1	Norway	98,9	↑2
2	Sweden	97,8	0
3	Denmark	97,7	↓2
4	Finland	96,5	0
5	Ireland	95,7	0
6	Switzerland	95,4	↑1
7	The Netherlands	95,3	↓1
8	Estonia	94,9	↑4
9	Canada	94,4	↑2
9	New Zealand	94,4	↓1
11	Portugal	93,6	↑2
12	United Kingdom	92,7	↑2
13	Austria	92,6	↑3
14	Belgium	92,1	↓4
14	Germany	92,1	↓5
16	Austria	91,4	↓1
17	Czechia	88,9	↑6
18	Japan	88,7	↑2
19	Spain	88,4	0
20	United States	88,1	↓3
21	Latvia	87,3	↓2
22	Italy	86,8	0
23	Chile	85,9	↑2
24	France	84,8	↓3
25	Latvia	84,6	↑1
26	Slovak Republic	84,1	↑2
27	Slovenia	82,9	↓3
28	Greece	81,6	↓1
29	Romania	80,9	↑2
30	Croatia	80,5	0
31	South Korea	79,8	↓2
32	Poland	75,2	↑1
33	Bulgaria	73,4	↓1
34	Israel	70,5	↑1
35	Colombia	69,8	↓1
36	Mexico	68,4	0
37	Hungary	63,9	0
38	Turkey	34,2	0

Wealth of Nations Index (WNI) measures the accumulation of economic benefits per citizen per year in the European Union and OECD countries. The best-known international comparative measure of wealth, gross domestic product (GDP) *per capita*, works similarly. The difference between the two is in the approach to public spending. GDP treats spending on final goods equally regardless of its source. In its calculation, a zloty spent by an individual is equivalent to a zloty spent by the public sector. Thus, it does not matter whether the allocation of resources is decided by the government or citizens. The approach used for the WNI is different. Private spending is calculated in the same way as in the calculation of GDP. Government spending, on the other hand, is evaluated by its outcomes rather than its monetary value. The evaluation of a zloty spent by the government depends on how good the public services are.

Private spending

Private spending should be understood as that part of the economy in which the allocation of resources is decided by private parties (citizens, companies, etc.). To measure it, total GDP must be reduced by non-transfer public spending (transfers are those public expenditures that transfer purchasing power from one group of citizens to another, and thus resource allocation is ultimately decided by citizens). In other words, private spending is GDP reduced by government consumption spending and government investment.

In accordance with the so-called of revealed preference theory while developing WNI, it was assumed that the spending of private entities is optimal. Optimality here means that every zloty spent by citizens

satisfies their needs to the highest possible degree. For this reason, private spending is included in the WNI in proportion to its size *per capita*. It is then adjusted for differences in purchasing power between countries. It makes the amount of said spending more realistic, taking into account differences in price levels between countries. In "expensive" countries, i.e. with a high cost of living, less goods and services can be purchased for a zloty of private spending than in "cheap" countries. In short, the amount of private spending *per capita* after adjusting for purchasing power is a measure of the real economic benefits coming from citizens' allocative decisions in the economy.

Public spending

Government expenditures here should be understood as government expenditures in a sense similar to the national accounts. It takes into account government consumption spending (i.e., on final goods and services for citizens) and government investment. The WNI measures the benefits of public spending by using a special sub-index on the quality of public spending. It evaluates the quality of public services in seven areas that correspond in some degree to the key categories of the OECD's Classification of Functions of Government (COFOG). It also adds an eighth category to these: freedom of speech, association and information flow, this too is subject to evaluation under the sub-indicator. Country scores in each of the eight areas were calculated by aggregating existing indicators or measures of the quality of each area, sometimes after pre-processing the inputs. A full list of the eight areas, along with the measures used to evaluate them, is provided on next page.

No.	Areas	Measures used for evaluation
1.	National Defence	Global Peace Index
		Global Firepower Index
2.	Internal Security	Global Peace Index
		Numbeo Crime Index
3.	Infrastructure and Public Transport	Global Quality Infrastructure Index
		Global Innovation Index, subcategory Infrastructure
4.	Environmental Condition	Environmental Performance Index, subcategory Environmental Health
		Legatum Prosperity Index, subcategory Natural Environmental Health
		Numbeo Pollution Index
5.	Healthcare	CEOWorld Health Care Index
		Numbeo Healthcare Index
		Legatum Prosperity Index, subcategory Health
6.	Primary and Secondary Education	Global Innovation Index, subcategory Education
		Legatum Prosperity Index, subcategory Education
7.	Higher Education	QS World University Rankings
		Academic Ranking of World Universities
		Times Higher Education World University Rankings
8.	Freedom of speech, association and flow of information	Legatum Prosperity Index, subcategory Personal Freedom
		Fraser Human Freedom Index, subcategory Association, Assembly, and Civil Society
		Fraser Human Freedom Index, subcategory Expression and Information

The results in each area were aggregated, obtaining a public spending quality index taking values between 0 and 100. Since some measures are not calculated for the smallest countries, the WNI doesn't include Cyprus, Luxembourg, Malta, Iceland and Costa Rica.

The value of the Index

The value of the WNI is the sum of the public spending component and the private spending component. The first is directly proportional to private spending *per capita* adjusted for purchasing power. The second is proportional to the product of average public spending in the European

Union and the public spending quality index described above. This second component is further multiplied by a factor called the public spending bonus. In order to obtain a more appropriate evaluation of the importance of public spending, and to avoid the pro-liberal bent of the WNI, the contribution of public spending to the index is multiplied by the factor (1 + bonus). It raises the potential value of public spending relative to the value of private spending. This means that a zloty spent by the government in a perfect way (i.e. in such a way that the quality indicator of public spending takes the maximum value for it) is included in the WNI as (1 + bonus) zloty (e.g. for the bonus value suggested by WEI, i.e. 50%, it will be 1 zloty

50 cents). This solution is in line with the optimistic assumption that governments spend money in areas of the economy where a market regime would yield worse results than state allocation of resources. Most importantly, regardless of the interpretation, the measure described gives an

advantage to the public sector, although it may squander it by providing low-quality public services to citizens.

In short, the Wealth of Nations Index is thus calculated as:

$$\text{Private spending per capita adjusted for purchasing power} + \text{Average EU public spending per capita} \times \text{Public spending quality index} \times (1 + \text{bonus})$$

Customizing the index

Warsaw Enterprise Institute (WEI) gives users the opportunity to customize the WNI to their preferences. The WEI's suggested parameters for the WNI can be

changed using an online tool. This includes the scales of each of the eight areas of public spending, as well as the size of the public spending bonus.





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