ABOUT INDEX

The Index of Leftness (Rightness) of Economy – IL(R)E – is an indicator annually being published by the Institute of Economics since 2014. At the initial stage, the Index was calculated for the Eastern Europe and Central Asia (EECA), and for selected developed countries (37 nations in total). Another 25 countries with different level of economic development and representing various regions of the world were added in Report for 2015, and the number of observed countries had reached 62. 2016 and 2017 researches cover 95 countries.

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All the governments and – regardless their predominant political-economic ideology – all the political groups proclaim the improvement of people's well-being as their ultimate goal. According to the left-wing political-economic ideology, the “shortest” path to achieve this goal is through more active government regulation, and to the right-wing ideology – through more economic freedom (economic self-regulation). The permanent competition between these two philosophies is one of the main driving forces of political-economic progress in modern world.

In classifications of the government intervention in economy “model-shaping” forms should be allocated in a separate group. ***The model-shaping forms of state intervention are…***

• ***… main criteria to distinguish different economic systems (models of market economy).*** For example, import restrictions to protect the domestic market reduce the freedom of foreign trade, and by implication – the level of liberty of the economy in general. This suggests that the regulation of foreign trade refers to model-shaping forms of state intervention in the economy. Meanwhile, government interventions in the financial market in order to adjust the exchange rates, which also are the variation of government interference in the economy, do not make the economy more liberal or more dirigiste, and therefore do not apply to model-shaping forms;

• ***… bipolar.*** For example, both objectives pursued by the regulation of foreign trade that, in fact, mutually exclude one another – the freedom of imports and domestic market protection – have a right to exist. They are like two values with the constant sum, i.e. an increase of one implies a decrease of another. It is fundamentally impossible to increase freedom of imports and reinforce market protection for the same goods and services (or for the country as a whole) simultaneously;

• ***… subjects for political competition.*** For example, for the left-wing political groups (parties, organizations, think tanks) a higher priority is, as a rule, the internal market protection, while for the right-wing groups – the freedom of foreign trade.

The leftness and rightness are features of real economies too – not only of ideologies. In any particular country and at any given time, the economy acquires certain degree of leftness (rightness) depending on the extent of model-shaping forms of the government intervention in economy. The higher the level of these forms of government intervention, the lefter the economy, and vice versa, relative rightness of the economy indicates lower intervention.

The leftness-rightness of economy is measurable and can be assessed by the Index proposed here. For any particular country the IL(R)E indicates that its economy is lefter relative to any other country's (countries') economy, and righter than other's (others') economy. The Index also measures the degree of leftness-rightness of the economy showing how far lefter (or righter) the economy of country "A" is relative to the economy of country "B".

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There is not any overall (universal for all economies) optimal value of IL(R)E. Countries with a liberal or dirigiste economy can be equally successful – both in the economic development and in raising of public welfare. Some countries achieve the greater social and economic success due to the rightness of their economy, while the others – to its leftness. In addition, the optimality limits of Index for a single country also are subject to change over time – due to a variety of economic and non-economic factors.

Nevertheless, the cumulative economic growth for several years in any particular country provides a certain ground to define how close the IL(R)E of that country is to its optimal level – the methodology called indicative. It can also be useful in evaluation of government regulation changes in separate sectors of the economy. If government introduces more liberal (or dirigiste) regulation in any sector of the economy, and as a result, the development pace of that sector becomes higher than that of other sectors (or higher than overall economic growth rate), then policies are chosen properly and reforms of same nature should be continued.

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