COUNTRY RESULTS

Index of Leftness (Rightness) of Economy (integral index) is calculated in two versions. First version considers all sub-indices with roughly equal weights. Second version does not consider SE Sub-Index, but gives higher weight to PF Sub-Index.

First version:

IL(R)E = 0.15*PFi + 0.15*SEi + 0.14*PRi + 0.14*FTi + 0.14*Li + 0.14*ERi + 0.14*MWi

Second version:

IL(R)E = 0.30*PFi + 0.14*PRi + 0.14*FTi + 0.14*Li + 0.14*ERi + 0.14*MWi

Further analysis in Report is based on the second version of IL(R)E calculation.

The tables may be interpreted both from top to down and from bottom to up. In the first approach economies are ranked from right to left, in the second – from left to right. Higher place of a country in the table means that its economy contains more rightness (self-regulation) and less leftness (governmental regulation). The developed countries are in colored boxes.

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The Results on the First Version

The economies are concentrated around the mean denser by the integral index than by the individual sub-indices. The reason is that the rankings of an economy on various criteria of the leftness-rightness somewhat balance each other, since there are just few economies that could be considered either left or right by all or by absolute majority of sub-indices. If an economy inclines to the left by one sub-index, and to the right by other, then the consolidated index, certainly, will gravitate to the mean. Concentration of countries around the mean is typical also for the second version of IL(R)E.

The median coincides with the mean.

Among the 37 countries ranked by the first version of IL(R)E Azerbaijan is 6th from right to left and 32nd from left to right, and is on the right from both the mean and the median. Therefore, it can be argued that at present, Azerbaijan's economy is – if the analysis is restricted to these 37 countries – right-wing economy.

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The Results on the Second Version

Many of the results are consistent with the first version. In both cases the countries are ranked stochastically and comparison of any pair of states with one another is theoretically acceptable. The rightest economy again is Singapore's. The same four developed countries (Denmark, New Zealand, Norway and the USA) are located close to the right pole also in the second version of the Index calculation although in a different sequence. France's economy again is the leftest economy. In general, there is no significant change in the ranking of developed countries.

In the ranking of EECA countries, if not to take into account Azerbaijan, there are no major changes too. Azerbaijan shares with Ireland 19-20th places and its economy is on the mean. The index of these two countries is the median. The second version of IL(R)E suggests that Azerbaijan's economy is the left-wing to the same extent as it is the right-wing, or it is the right-wing to the same extent as it is the left-wing. In other words, it is characterized by the same degree of leftness and rightness.

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Index of Leftness (Rightness) of Economy reveals one of the fundamental changes that have occurred in the global economy over the past 20 years. During this period some new states that came out of “socialism” have created economies that are righter than the well-established market economies of rich countries. Azerbaijan, whose economy just only 25 years ago was characterized by extreme leftness, now has a more liberal economy than France, Italy, the Netherlands and many other developed countries.

The economic reforms that were implemented by former "socialist" countries with far left economies differ in content and intensity. IL(R)E allows to evaluate and compare the result of these reforms. For example, it becomes clear that Azerbaijan has built the righter economy than Serbia, but kept government intervention in the economy at the higher level than Georgia – although all these countries attributed the liberal reforms to the main priorities of economic policy for many years ahead. In order to judge what model of economy (i.e. what degree of economic liberalization) is most effective for the country it is necessary to consider the issue of optimal value of the Index.

The Institute of Economics keeps on conducting relevant studies.