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REPORT



Wealth of Nations Index

edition 2024

The Wealth of Nations Index and Poland's position: in the midst of the war in Ukraine

This is the fourth time we have prepared the Wealth of Nations Index (WBN). This is the third consecutive time that the survey has covered all countries belonging to the OECD or the European Union. In this year's edition, the indications of the NPV reflect the state at the beginning of 2023, which is – to some approximation – after a year of the aggressive war waged by Russia against Ukraine. Therefore, the indicator depicts a crisis-by-crisis situation – the socio-economic troubles associated with the coronavirus epidemic have been replaced by a peri-war crisis since 2022. However, in doing so, one should not succumb to the narrative that the economic turbulence we have seen for several years is the result of external factors beyond the control of political decision-makers sitting in governments or central banks. Just as the COVID-19 virus did not spontaneously cause difficulties in supply chains, the explanation for the high inflation prevailing for a long time in most developed economies does not lie in "putinflation". Nevertheless, the WBN suggests that crisis after crisis is a reality.

Western increases failed to break through the 2019 ceiling

Although most of the countries surveyed recorded an increase in their GVA indication compared to the crisis year before, in which they were only recovering from the COVID-19 epidemic hole, the results for 2019 were not clearly surpassed. Among the wealthier EU countries, the Netherlands (4.4 points, +4.7 percent), Italy (3.4 points, +4.5 percent), Denmark (4.5

points, +4.5 percent), Spain (2.4 points, +3.4 percent), Sweden (up 2.5 points, +2.8 percent), Austria (1.4 points, +1.5 percent) and Belgium (0.5 points, +0.6 percent); Switzerland (up 3 points, 2.3 percent), New Zealand (2.5 points, +3.2 percent), the United Kingdom (4 points, +4.9 percent), Israel (3.8 points, +5.2 percent) and Norway (8.3 points, +7.7 percent) also rose. Germany recorded a decline, as it did a year earlier – this time by 0.4 points (–0.4 percent). So, across Poland's western border, the crisis that began in 2020 is proving to be exceptionally long-lasting. Ireland's score also went up significantly, although it should be accompanied by the standard caveat that the peculiarities of Irish national income elevator the NPV indication.

Eastern Europe was also recovering quickly from its slump. The NPV indications of Slovenia (1.1 points, +1.4 percent), Lithuania, (1.1 points, +1.5 percent), Romania (1.5 points, +2.6 percent), and Slovakia (1.7 points, +2.8 percent) grew at different rates year-on-year – a slow-growing group. In contrast, the NPV of Greece (up 3.3 points, +5.9 percent) and Croatia (3.7 percent, +6 percent) grew faster. Poland will be discussed further.

However, a separate commentary is due first to the United States. The U.S. NPV fell year-on-year by 2 points (–1.8 percent), although this is not comparable to the U.S. NPV of a year ago. In this year's edition, we adjusted the U.S. score to account for the non-public nature of healthcare in that country. For the most part, private health

care distinguishes the U.S. from the rest of the cohort assessed in the NPV; this is important because one of the eight criteria by which we assess the quality of public spending is the quality of health care spending. The U.S. score in this category is thus obtained mainly by private aggregate; other countries' scores are obtained mainly by public aggregate. It would be wrong, then, to include Americans' spen-

ding de facto in two places: on the one hand in the role of private spending, on the other in the role that builds the index of the quality of U.S. public spending - yet both add up to the NPV (see methodology tab). The compromise solution we have adopted is to divide America's score in the quality sub-indicator of public spending on health care by two.



Country	IWP spring 2023 (i.e. 2024's edition)	IWP spring 2022 (i.e. 2023's edition)	Change	Change %
Austria	96,4	95,0	1,4	1,5%
Belgium	87,8	87,2	0,6	0,6%
Bulgaria	52,6	49,0	3,6	7,3%
Czech Republic	75,3	74,8	0,5	0,6%
Germany	92,0	92,4	-0,4	-0,4%
Denmark	103,8	99,3	4,5	4,5%
Spain	74,0	71,5	2,5	3,4%
Estonia	72,9	73,0	-0,1	-0,2%
Finland	87,2	86,2	1,0	1,2%
France	77,9	78,1	-0,2	-0,3%
United Kingdom	85,4	81,4	4,0	4,9%
Greece	59,6	56,3	3,3	5,9%
Croatia	64,8	61,2	3,8	6,0%
Hungary	62,4	60,0	2,4	4,0%
Ireland	190,7	172,9	17,8	10,3%
Italy	79,6	76,2	3,4	4,5%
Lithuania	75,0	73,9	1,1	1,5%
Latvia	63,5	60,1	3,4	5,7%
Netherlands	97,7	93,3	4,4	4,7%
Poland	68,6	64,4	4,2	6,5%
Portugal	71,1	67,8	3,2	4,8%
Romania	60,2	58,7	1,5	2,6%
Slovak Republic	62,5	60,8	1,7	2,8%
Slovenia	75,0	74,0	1,1	1,4%
Sweden	91,5	89,0	2,5	2,8%
Norway	116,4	108,1	8,3	7,7%
United States	109,6	111,6	-2,0	-1,8%
Canada	87,3	84,9	2,4	2,9%
Switzerland	134,0	131,0	3,0	2,3%
Turkey	61,0	57,6	3,5	6,0%
Japan	79,3	77,5	1,8	2,3%
Australia	88,9	87,3	1,6	1,9%
New Zealand	80,5	78,0	2,5	3,2%
Mexico	40,4	39,0	1,4	3,6%
South Korea	84,3	83,2	1,1	1,4%
Chile	50,9	52,0	-1,1	-2,0%
Israel	76,9	73,1	3,8	5,2%
Colombia	32,4	31,9	0,5	1,6%

Poland still in 27th place – Portugal just around the corner

There have been several changes in the WBN ranking compared to last year. At the top, the most important is the decline of the United States by one place (this would also have happened if we had not lowered the US index of the quality of public spending on health care). If we exclude Ireland, the top spot is still occupied by Switzerland (134 points), followed by Norway (116.4) – up one place, the US (109.6) and Denmark (103.8), which again achieved the best score in the EU. Denmark is followed by the Netherlands (97.7) – up one spot, Austria (96.4) – down a spot, and Germany (92), whose position is increasingly threatened by Sweden (91.5).

Poland maintained its 27th position in the WBN ranking with a score of 68.6. Portugal (71.1) and Estonia (72.9) are within range. It is noteworthy that Poland's public spending quality index – one of the two components of the NPV – declined year-on-year and now stands at 57.9 (59.1 a year ago). The primary reason for this year's decline is a downgrade in the quality of spending on primary and secondary education related to the publication of PISA test results. At the same time, this is the second consecutive year that Poland's public spending quality index has declined. This year, by the way, a similar decline in the quality index of public spending has affected most of the

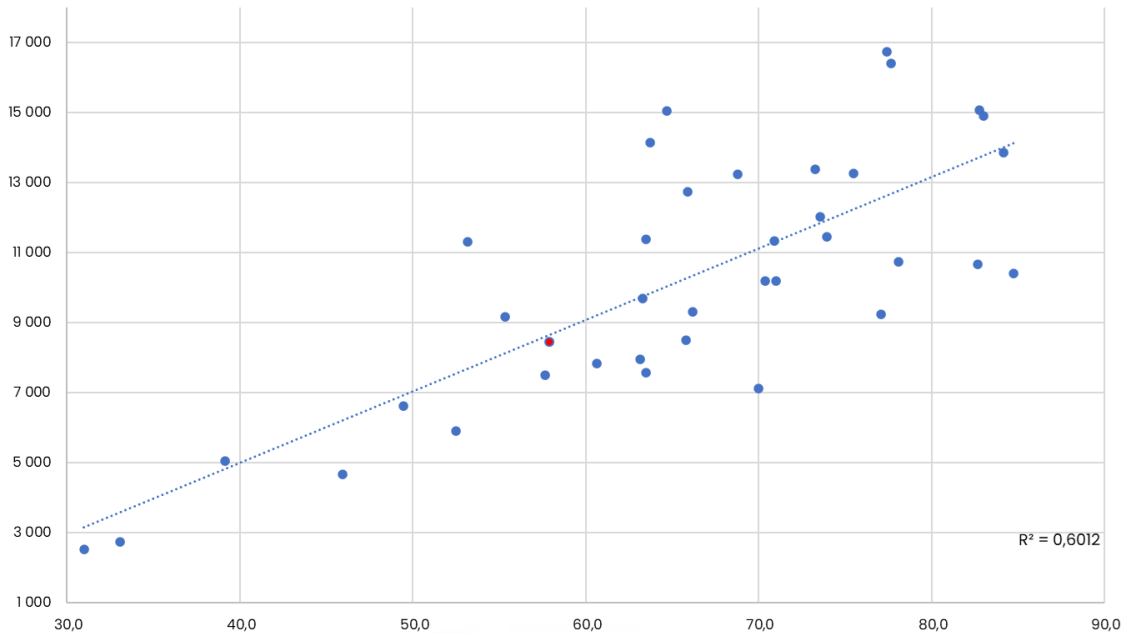
countries surveyed (the average last year was 69.2, this year's was 65.5), primarily due to a decline in the quality assessment of defense spending.

The amount of public spending translates into quality

This is yet another time when we see a clear relationship between the quality of public spending and its absolute amount per capita. Once again, the expected quality of Polish public spending, i.e. that predicted from a survey of the entire cohort of countries, almost exactly matches its actual quality. Countries that lie below the dashed 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 – the opposite. Poland (highlighted in red) is minimally below the line, which means that it achieves average efficiency in the use of public money in the studied group of countries.

Most interesting are the cases of those countries that achieve high indications of the public spending quality index at a relatively low cost. Portugal, Latvia, Lithuania and Slovakia are countries that spend less public money per citizen than Poland, but the money is spent better, resulting in a higher public spending quality index than Poland. Estonia and Switzerland also stand out as countries with a favorable quality to public spending ratio.



Graph. Public spending per capita [\$ international] vs. public spending quality index**Ahead of the next edition of WBN**

Next year's edition of WBN will show how the assessed countries are coping after

two years of war in Ukraine and whether they have successfully overcome a series of socio-economic difficulties that began with the onset of the COVID-19 epidemic.



Table 1. Wealth of Nations Index

Ranking position	Country	Total score	Advancement/decline relative to 2023
1	Ireland	190,7	0
2	Switzerland	134,0	0
3	Norway	116,4	↑1
4	United States	109,6	↓1
5	Denmark	103,8	0
6	Netherlands	97,7	↑1
7	Austria	96,4	↓1
8	Germany	92,0	0
9	Sweden	91,5	0
10	Australia	88,9	0
11	Belgium	87,8	0
12	Canada	87,3	↑1
13	Finland	87,2	↓1
14	United Kingdom	85,4	↑1
15	South Korea	84,3	↓1
16	New Zealand	80,5	↑1
17	Italy	79,6	↑2
18	Japan	79,3	0
19	France	77,9	↓3
20	Israel	76,9	↑3
21	Czech Republic	75,3	↓1
22	Slovenia	75,0	↓1
23	Lithuania	75,0	↓1
24	Spain	74,0	↑1
25	Estonia	72,9	↓1
26	Portugal	71,1	0
27	Poland	68,6	0
28	Croatia	64,8	0
29	Latvia	63,5	↑1
30	Slovak Republic	62,5	↓1
31	Hungary	62,4	0
32	Turkey	61,0	↑1
33	Romania	60,2	↓1
34	Greece	59,6	0
35	Bulgaria	52,6	↑1
36	Chile	50,9	↓1
37	Mexico	40,4	0
38	Colombia	32,4	0

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

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

Ranking position	Country	Total score	Advancement/decline relative to 2023
1	Ireland	97 401	0
2	Switzerland	61 871	0
3	United States	53 315	0
4	Norway	52 227	0
5	Denmark	45 025	0
6	Netherlands	42 513	↑2
7	Austria	42 472	↓1
8	Germany	40 721	↓1
9	Belgium	39 150	0
10	Sweden	38 962	0
11	Australia	37 831	0
12	Canada	37 262	0
13	United Kingdom	36 122	↑2
14	Finland	35 410	↓1
15	South Korea	34 812	↓1
16	Italy	34 604	↑1
17	New Zealand	33 855	↑1
18	France	33 172	↓2
19	Israel	33 021	↑1
20	Lithuania	31 995	↓1
21	Japan	31 171	0
22	Spain	30 917	↑3
23	Czech Republic	30 850	↓1
24	Slovenia	30 810	↓1
25	Poland	29 271	↑1
26	Portugal	28 634	↑1
27	Estonia	28 466	↓3
28	Turkey	28 092	0
29	Hungary	26 181	0
30	Romania	25 878	0
31	Croatia	25 799	↑2
32	Latvia	25 413	0
33	Slovak Republic	25 333	↓2
34	Greece	24 202	0
35	Chile	21 225	0
36	Bulgaria	21 050	0
37	Mexico	17 729	0
38	Colombia	12 876	0

Table 3. Public spending scores

Ranking position	Country	Total score	Advancement/decline relative to 2023
1	Switzerland	84,7	↑2
2	Finland	84,2	↑2
3	Denmark	83,0	↓2
4	Norway	82,8	↓2
5	Japan	82,7	0
6	South Korea	78,1	↑5
7	Sweden	77,7	0
8	Netherlands	77,4	0
9	Estonia	77,1	↑3
10	Australia	75,5	↓1
11	United Kingdom	73,9	↓1
12	Canada	73,5	↑3
13	Austria	73,3	↓7
14	Czech Republic	71,0	0
15	New Zealand	70,9	↑1
16	Slovenia	70,4	↑1
17	Portugal	70,0	↑1
18	Germany	68,8	↓5
19	Spain	66,2	↑1
20	France	65,9	↓1
21	Croatia	65,8	↑1
22	Ireland	64,7	↑7
23	Belgium	63,7	↓2
24	Latvia	63,5	↑4
25	Israel	63,5	↑1
26	Italy	63,3	↓2
27	Lithuania	63,2	↓2
28	Slovak Republic	60,7	↓1
29	Poland	57,9	↑2
30	Greece	57,7	0
31	Hungary	55,4	↑1
32	United States	53,2	↓9
33	Bulgaria	52,5	↑1
34	Romania	49,4	↓1
35	Chile	45,9	0
36	Turkey	39,2	0
37	Colombia	33,1	0
38	Mexico	31,0	0

Table 4. Military potential

Ranking position	Country	Total score	Advancement/decline relative to 2023
1	South Korea	93,4	0
2	Norway	92,5	↑ 2
3	United Kingdom	92,4	0
4	Australia	91,6	0
5	Israel	90,0	↑ 5
6	Italy	87,5	↑ 5
7	Greece	86,2	↑ 5
8	Switzerland	85,4	↓ 1
8	France	85,4	↓ 2
10	United States	85,1	↓ 1
11	Japan	83,8	↓ 9
12	Denmark	83,5	↑ 3
13	Finland	83,4	↑ 4
14	Portugal	82,9	↑ 6
15	Sweden	82,8	↓ 7
16	Poland	79,3	↑ 9
17	Croatia	75,8	↓ 3
18	Canada	75,3	↑ 1
19	Slovenia	74,8	↑ 9
19	Estonia	74,8	↑ 12
21	Netherlands	74,7	↑ 2
22	Turkey	74,1	0
23	Czech Republic	73,6	↓ 10
24	Spain	73,3	↓ 8
25	Bulgaria	73,0	↑ 4
26	New Zealand	72,3	↑ 7
27	Latvia	71,2	↑ 5
28	Hungary	70,9	↓ 2
29	Slovak Republic	69,4	↓ 8
30	Lithuania	61,9	0
31	Romania	59,4	↓ 4
32	Germany	58,1	↓ 14
33	Austria	56,7	↓ 9
34	Chile	54,5	0
35	Belgium	50,2	0
36	Ireland	48,6	0
37	Colombia	26,7	0
38	Mexico	23,7	0

Table 5. Internal security

Ranking position	Country	Total score	Advancement/decline relative to 2023
1	Japan	99,7	↑ 1
2	Switzerland	99,2	↓ 1
3	Slovenia	98,7	0
4	Croatia	97,1	↑ 2
5	Denmark	96,8	↑ 2
6	Austria	96,1	↓ 1
6	Czech Republic	96,1	↓ 2
8	Finland	95,7	↑ 1
9	Estonia	95,5	↓ 1
10	Netherlands	94,2	↑ 1
11	South Korea	93,1	↑ 3
12	Portugal	92,1	↓ 2
13	Poland	91,0	0
14	Slovak Republic	89,6	↓ 2
15	Romania	88,3	0
16	Hungary	88,0	0
16	Norway	88,0	↑ 1
18	Lithuania	87,1	↑ 2
19	Germany	85,2	0
20	Spain	84,9	↓ 2
21	Latvia	83,8	↑ 3
22	Bulgaria	82,9	↓ 1
23	Canada	80,3	0
24	New Zealand	79,3	↓ 2
25	Ireland	79,2	0
26	Australia	77,3	0
27	Israel	76,4	↑ 2
28	Italy	74,6	0
29	United Kingdom	74,2	↑ 1
30	Belgium	74,1	↓ 3
31	Sweden	73,5	0
32	Greece	72,0	0
33	Turkey	68,6	↑ 1
34	United States	64,2	↑ 2
35	France	63,9	↓ 2
36	Chile	62,1	↓ 2
37	Mexico	57,7	0
38	Colombia	51,4	0

Table 6. Infrastructure

Ranking position	Country	Total score	Advancement/decline relative to 2023
1	Finland	97,6	↑ 2
2	Sweden	96,1	↓ 1
3	United Kingdom	93,3	↑ 2
4	Switzerland	92,9	↓ 2
4	Denmark	92,9	↑ 2
6	Norway	89,5	↓ 3
7	Japan	89,2	0
8	South Korea	89,0	↑ 1
9	Spain	88,1	↑ 1
10	Netherlands	88,0	↑ 1
11	Austria	87,3	↓ 3
12	Estonia	86,9	↑ 8
13	Australia	86,7	↑ 2
14	Germany	86,0	0
15	Italy	85,5	↑ 2
16	United States	85,4	↓ 3
17	France	85,0	↓ 5
18	Ireland	84,3	0
19	Czech Republic	84,2	↓ 3
20	Canada	83,3	↓ 1
21	Slovenia	83,2	↑ 1
22	Bulgaria	81,7	↑ 3
23	New Zealand	81,1	↓ 2
24	Romania	80,1	↓ 1
25	Croatia	79,8	↑ 1
26	Slovak Republic	79,0	↑ 4
26	Hungary	79,0	↓ 2
28	Greece	78,7	↑ 4
29	Belgium	76,8	↓ 2
30	Israel	76,4	↑ 3
31	Latvia	75,8	↑ 7
32	Portugal	75,7	↓ 5
33	Poland	74,7	↓ 4
34	Lithuania	73,9	↑ 1
35	Turkey	72,4	↓ 4
36	Chile	68,8	↓ 2
37	Mexico	65,3	0
38	Colombia	66,4	0

Table 7. State of the environment

Ranking position	Country	Total score	Advancement/decline relative to 2023
1	Finland	99,3	0
2	Sweden	96,8	0
3	Norway	94,2	0
4	Switzerland	92,6	0
5	Denmark	91,0	0
6	Austria	89,4	↑ 1
7	New Zealand	88,7	↓ 1
8	Estonia	87,7	↑ 1
9	Australia	87,6	↓ 1
10	Canada	85,8	0
11	Germany	85,7	0
12	Netherlands	84,9	0
13	Ireland	84,1	↑ 1
14	Slovenia	83,8	↓ 1
15	Japan	80,5	0
16	Portugal	80,2	0
17	Lithuania	79,9	↑ 3
18	United Kingdom	79,8	↓ 1
19	France	79,6	0
20	United States	78,8	↓ 2
21	Latvia	77,9	0
22	Spain	76,6	0
23	Czech Republic	75,0	0
24	Croatia	74,2	0
25	Slovak Republic	72,6	0
26	Belgium	71,5	0
27	Greece	69,6	0
28	Italy	69,4	0
29	Israel	64,1	0
30	Hungary	62,8	0
31	South Korea	62,4	0
32	Poland	61,0	0
33	Colombia	57,4	0
34	Romania	56,5	0
35	Mexico	54,1	0
36	Bulgaria	52,2	↑ 1
36	Turkey	52,2	0
38	Chile	51,8	0

Table 8. Healthcare

Ranking position	Country	Total score	Advancement/decline relative to 2023
1	South Korea	96,7	↑1
2	Japan	95,4	↓1
3	Norway	91,1	↑3
4	Netherlands	90,9	↑3
5	Switzerland	90,4	↑5
6	Australia	89,6	↑2
7	Austria	89,0	↓2
8	Israel	88,5	↑9
9	Denmark	88,2	↓6
9	Germany	88,2	↑6
11	Belgium	87,8	↓1
11	France	87,8	↓7
13	Finland	87,4	↓1
14	Czech Republic	87,3	0
14	Sweden	87,3	↑5
16	Canada	86,5	↑2
17	Spain	85,3	↓8
18	New Zealand	84,6	↓2
19	United Kingdom	83,8	↓6
20	Estonia	82,8	0
21	Italy	81,3	0
22	Portugal	80,6	↑1
23	Slovenia	79,5	↑1
24	Lithuania	78,2	↑4
25	Ireland	78,1	↑12
26	Colombia	77,0	↓4
27	Croatia	76,8	0
28	Mexico	75,4	↓3
28	Slovak Republic	75,4	↑2
30	Poland	73,7	↑3
31	Latvia	73,4	↑3
32	Chile	73,3	↓3
33	Turkey	73,0	↓2
34	Greece	72,6	↓2
35	Bulgaria	72,4	0
36	Hungary	72,2	↑2
37	Romania	68,1	↓1
38	United States	39,1*	↓12

*Result divided by 2 due to the lack of a universal health care system. Health care results are derived in part from private spending (to a much greater extent than in other Countries in the package).

Table 9. Schooling

Ranking position	Country	Total score	Advancement/decline relative to 2023
1	Japan	95,2	↑ 19
2	South Korea	92,8	↑ 3
3	Canada	87,8	↑ 6
4	Estonia	86,4	↑ 7
5	Finland	86,1	↑ 1
6	Denmark	85,0	↓ 2
7	Sweden	84,8	↓ 6
8	Belgium	83,7	↓ 5
9	Norway	83,4	↓ 8
10	Switzerland	82,6	↑ 14
11	New Zealand	82,3	↓ 4
12	United Kingdom	81,9	↑ 3
13	Poland	81,3	↑ 5
14	Australia	80,9	↑ 8
15	Slovenia	80,8	↓ 3
16	Netherlands	80,3	↓ 8
17	Czech Republic	80,1	↑ 7
18	Ireland	79,6	↑ 13
19	Portugal	79,4	↓ 9
20	Germany	79,3	↓ 7
21	Austria	79,1	↓ 5
22	United States	78,7	↑ 8
23	Latvia	78,6	↓ 6
24	France	78,5	↓ 10
25	Italy	77,3	↓ 4
25	Lithuania	77,3	0
27	Spain	77,2	↓ 4
28	Croatia	76,4	0
29	Israel	75,0	↓ 10
30	Hungary	74,1	↓ 1
31	Greece	71,4	↓ 4
32	Slovak Republic	69,2	0
33	Turkey	67,5	↑ 4
34	Chile	65,5	↓ 1
35	Romania	61,5	0
36	Bulgaria	61,0	↓ 2
37	Mexico	55,6	↓ 1
38	Colombia	53,3	0

Table 10. Higher education

Ranking position	Country	Total score	Advancement/decline relative to 2023
1	Switzerland	100	0
2	United Kingdom	99,8	0
3	Denmark	97,5	0
4	United States	96,6	0
5	Norway	96,0	0
6	Sweden	95,8	↑1
7	Estonia	95,7	↓1
8	Belgium	95,3	↑3
9	Finland	95,1	↓1
10	Australia	95,0	↓1
11	Netherlands	94,5	↑1
11	Ireland	94,5	↓2
13	New Zealand	93,9	0
14	Canada	93,8	0
15	Austria	92,7	↑1
16	Latvia	92,2	↓1
17	Slovenia	91,7	0
18	Israel	91,6	0
19	Lithuania	90,6	0
20	France	87,9	0
21	Portugal	87,0	0
22	Croatia	86,8	↓1
23	Germany	85,4	0
24	South Korea	85,2	↑3
25	Japan	83,5	↓1
25	Slovak Republic	83,5	0
27	Greece	83,4	↓1
28	Czech Republic	82,8	0
29	Hungary	82,3	0
30	Bulgaria	81,1	0
31	Chile	77,0	0
32	Italy	75,3	↑1
33	Spain	74,7	↓1
34	Poland	66,8	↑1
35	Romania	64,8	↓1
38	Colombia	48,4	0
37	Turkey	42,6	0
38	Mexico	27,5	0

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

Ranking position	Country	Total score	Advancement/decline relative to 2023
1	Ireland	98,5	↑2
2	Norway	98,3	↓1
3	Sweden	97,8	↓1
4	Denmark	97,0	↓1
5	Switzerland	96,1	↑1
6	Finland	94,8	↓2
7	Estonia	94,7	↑1
8	New Zealand	94,5	↑1
9	Canada	94,2	0
9	Netherlands	94,2	↓2
11	United Kingdom	92,6	↑1
12	Belgium	92,3	↑2
12	Portugal	92,3	↓1
14	Australia	91,6	↑2
15	Germany	90,9	↓1
16	United States	90,4	↑4
17	Latvia	89,4	↑4
18	Austria	89,1	↓5
19	Japan	89,0	↓1
20	Czech Republic	88,1	↓3
21	Chile	87,7	↑2
22	Italy	87,5	0
23	Spain	87,0	↓4
24	Slovak Republic	85,6	↑2
24	Lithuania	85,6	↑1
26	France	84,9	↓2
27	South Korea	81,7	↑4
28	Romania	81,5	↑1
29	Greece	81,2	↓1
30	Croatia	80,5	0
31	Slovenia	77,2	↓4
32	Bulgaria	76,1	↑1
33	Poland	73,2	↓1
34	Israel	70,5	0
35	Mexico	65,5	↑1
36	Colombia	65,4	↓1
37	Hungary	61,5	0
38	Turkey	34,4	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.





Karol Zdybel

Strategic consultant working for international consulting firms, economist, doctoral student in the "European Doctorate in Law and Economics" program at the Universities of Bologna, Hamburg and Rotterdam. Fellow of the Ludwig von Mises Institute for Economic Education and regular contributor to „Nowa Konfederacja”.

Author of the composition:
Anna Sleszyńska

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Warsaw Enterprise Institute
Al. Jerozolimskie 30/7
00-024 Warsaw