

Politico-Economic Regimes: An Evaluation

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Introduction

Perhaps the most controversial question in political economy is the evaluation of the performance of various types of economic systems or so-called politico-economic regimes. Which politico-economic system is the superior one? This is a problem to be decided ultimately by values, but the deliberations about pros and cons also involve matters of fact. Does capitalism do better than socialism in terms of economic growth? How about the degree of inequality in the distribution of resources in various countries? And which type of regime is more likely to run into double digit inflation or high national debts?

Not only are economic aspects relevant to the rise and decline of nations, but we also have to take into account how countries score on political criteria of evaluation like e. g. democratic values. Moreover, how about welfare effort? There is a large number of relevant evaluation criteria: which are the most appropriate ones? And any identification of politico-economic regimes or systems faces tremendous conceptual problems in relation to how to sort out real life systems without such a simple dichotomy as capitalism versus socialism. Is it at all possible to say something about the evaluation of regimes from a political economy perspective given this stage of theoretical and empirical knowledge?

Regimes

There are several relevant ways of classifying systems from a politico-economic perspective. In the mainstream economics literature the focus is on the concept of an economic system. And a few key kinds of economic systems are identified and evaluated. A definition of "economic system" may look as follows:

An economic system is a set of mechanisms and institutions for decision making and the implementation

of decisions concerning production, income, and consumption within a given geographic area. (Lindbeck, 1977:214)

It follows from such an identification of the economic system in a country that it covers not only what traditionally counts as economic institutions like property and the market. Any description of an economic system would have to include a statement of the place of the state and the range of mechanisms for public resource allocation and income redistribution, i. e. political institutions. Thus, we may speak of *politico-economic regimes* in order to denote the various ways in which the market, the state, property institutions and public systems for budget allocation and redistribution are mixed in different countries.

In their *Comparative Economic Systems* (1989) Gregory and Stuart employ a framework for the analysis of economic systems comprising four basic features which each has two modes: (1) organization of decision making: centralization and decentralization; (2) provision of information and coordination: market or plan; (3) property rights: private, cooperative and public; (4) the incentive system: moral or material. Gregory and Stuart use these categories to derive three main types of politico-economic regimes: capitalism, market socialism and planned socialism. Can we really speak of actually existing market socialist regimes? Is there some kind of pure model of capitalism which contain the essence of all non-socialist systems?

It is interesting to relate the standard categories in the literature on economic systems to Gastil's framework, presented in *Freedom in the World* (1987) as it is a more refined one. Gastil categorizes politico-economic systems in the following way: (a) *capitalist*: a high degree of economic freedom and relatively little market intervention by the state; (b) *capitalist-statist*: substantial state intervention in markets and large

public sectors, although the state remains committed to the institutions of private property; (c) *mixed capitalist*: an activist state with income redistribution, market intervention and regulation although the size of direct budget allocation of resources is not that large; (d) *mixed-socialist*: some economic freedom, private property and individual initiative within the framework of a socialist economy; (e) *socialist systems*: basically command economies with little of economic freedom, private property and individual initiative.

Gastil classifies a large number of countries with the following politico-economic categories employing the legal status of voluntary exchange mechanisms and ownership as the crucial characteristics, among others:

Capitalist: USA, Canada, Dominican Republic, El Salvador, Costa Rica, Colombia, Ecuador, Chile, Ireland, Belgium, Luxembourg, Switzerland, Spain, Germany FR, Iceland, Liberia, Cameroon, Kenya, Malawi, Jordan, South Korea, Japan, Thailand, Malaysia, Australia, New Zealand, Haiti, Barbados, Guatemala, Honduras, Cyprus, Niger, Ivory Coast, Sierra Leone, Gabon, Chad, Lebanon and Nepal.

Capitalist-State: Mexico, Panama, Venezuela, Peru, Brazil, Bolivia, Paraguay, Argentina, Italy, Ghana, Nigeria, Zaire, South Africa, Morocco, Iran, Turkey, India, Pakistan, Sri Lanka, Philippines, Indonesia, Jamaica, Trinidad, Mauritania, Central African Republic, Uganda, Saudi Arabia and Taiwan.

Mixed-Capitalist: Uruguay, United Kingdom, Netherlands, France, Portugal, Austria, Greece, Finland, Sweden, Norway, Denmark, Senegal, Tunisia, Israel, Singapore, Nicaragua, Guinea, Burundi, Sudan and Egypt.

Mixed-Socialist: Yugoslavia, Zambia, Madagascar, Guyana, Mali, Burkina Faso, Togo, Congo, Rwanda, Somalia, Libya, Syria, China and Burma.

Socialist: Germany DR, Hungary, Soviet Union, Bulgaria, Romania, Czechoslovakia, Tanzania, Ethiopia, Algeria, Iraq, Albania, Benin, Angola, Mozambique, Afghanistan, Mongolia, North Korea, Cambodia, Laos and Cuba.

There are a few major problems in relation to the Gastil framework and its classification. Firstly, are the categories really conceptually distinct? Whereas it may be empirically feasible to distinguish the capitalist systems from the mixed-capitalist ones, the distinction between mixed-socialist and socialist is more troublesome to ap-

ply onto real world systems. Similarly, the separation between capitalist and capitalist-state is not all together easy to handle.

Secondly, any classification of countries into types of politico-economic regimes is bound to be time dependent. Gastil's classification refers to the late 1970s and early 1980s but politico-economic structures are not invariant over time. If the effort is to evaluate the performance of politico-economic regimes over time during the post World War II period, then the classification has to be reworked for some countries at certain points of time.

Thirdly, when evaluating types of politico-economic regimes it is vital that enough countries be covered so that the conclusions apply to systems with different backgrounds. On the other hand, it is not necessary to include each and every country in the analysis, simply because the country background may be too deviant. Thus, one could refrain from including countries that have had to face extended processes of internal or external instability like e. g. war experience.

The description of the Federal Republic of Germany as only capitalist must be questioned given the strong tradition towards the welfare state in the 1949 constitution. Similarly, Portugal and Spain should be regrouped in the light of the strong state involvement in these societies, at least during the fascist period. The more detailed description of some African and Asian countries is open to discussion. In order to illustrate the difficulties in classifying countries in terms of politico-economic categories we will make a short geographical overview of the major countries on each continent employing inter alia *The Economist Atlas* (1989) and *Political Systems of The World* (1989). Which evaluation criteria should we concentrate on when describing politico-economic systems?

Performance

Gregory and Stuart evaluate the performance of their three types of economic systems by means of a set of outcomes: economic growth, efficiency, income distribution, stability, development objectives and national existence, where the overall finding is the precedence of the capitalist type on these evaluation criteria in relation to the others. However, why should we focus on these criteria? In order to evaluate how various types of politico-economic systems do in the real world

one could employ both economic and political evaluation criteria.

Here we only attempt to suggest some preliminary steps towards the evaluation of politico-economic regimes. We will focus on five dimensions of politico-economic regimes which may be measured by means of specific evaluation criteria: two economic ones, two political ones and finally one social indicator. The average rate of economic growth over a number of years taps a dynamic aspect of politico-economic regimes whereas the average yearly rate of inflation captures a stability aspect. The evaluation criteria in a democracy index identifies several crucial performance aspects in relation to human values such as freedom and equality whereas a welfare effort index measures a different aspect on politico-economic performance. Finally, there is the inequality dimension to be measured by an indicator on the skewness in the distribution of income which is a standard outcome criterion.

To sum up, we will consider the following dimensions of a politico-economic regime in a country: economic growth, inflation, democratic rights and welfare effort by the state as well as the extent of inequality in the distribution of income. Thus, we have the following evaluation criteria: (i) *economic growth (EG)*: growth in real GDP per capita in international US dollars between 1980 to 1985; (ii) *inflation (I)*: average annual rates of inflation during 1980–1985; (iii) *democratic rights (D)*: the status of democracy about 1980 as measured by a complex index covering human rights, political competition and so on (Humana's index); (iv) *welfare effort by the state (W)*: a complex index calculated by Estes for roughly 1980; (v) *income inequality (Q)*: the share of the top quintile of the total national income measured on income data for about the 1970ies.

These evaluation criteria – economic, political and social – have been measured in various data sources stated in Appendix 1. The rationale for the selection of these five evaluation criteria is simply that they are often used. Other criteria like unemployment, trade pattern and political stability could have been employed, but there is no natural limit where to stop. Let us take a close look at the country variation in politico-economic regimes and their performance around 1980 by moving from one continent to another focussing on economic growth, inflation, democratic performance, welfare effort and inequality. The data

about the size of the population in various countries refer to about 1985.

America

The predominant orientation of the countries on the American continent towards some type of capitalist politico-economic regime is obvious, but there is much more to be said about the nuances. There has existed systems that fall outside of the set of capitalist regimes. It is true that the two examples of a socialist politico-economic regime – Cuba (10 million) and until the 1990 election Nicaragua (3.3 million) – are small states when compared with the giant capitalist nations in this hemisphere. As there is hardly any case of a mixed-capitalist regime in America, the basic deviation among the countries on the American continent is between two types of capitalist regimes, decentralized capitalist and capitalist-state regimes. Besides Canada (25.4 million) the United States (239 million) belongs to the former category where also a number of small countries in the Caribbean islands and Central America should be placed: El Salvador (5.6 million), Dominican Republic (6.3 million), Barbados (0.3 million), Guatemala (8 million), Honduras (4.4 million) and Costa Rica (2.6 million).

The difficulty in drawing the demarcation line between capitalist and capitalist-state regimes is obvious with regard to Ecuador (9.4 million) and Chile (12 million), but we follow the Gastil classification here. The remaining countries should be classified as capitalist-state. Here, we have the giant countries in Latin America: Mexico (79 million), Brazil (136 million) and Argentina (31 million). Into the same type of politico-economic systems enters a number of countries with fairly large populations: Venezuela (17.3 million), Peru (18.7 million), and Bolivia (6.4 million). To the same set belongs a few less populous countries like Paraguay (3.4 million), Panama (2.2 million), Trinidad (1.2 million) and Jamaica (2.2 million). It must be explicitly pointed out that the separation between decentralized capitalist and capitalism-state regimes is difficult to apply with precision. How to classify Uruguay (3 million) is an open question, as it is sometimes designated as a mixed-capitalist system. An overall picture of politico-economic performance on the American continent is given in Table 1.

Table 1. *Politico-economic regimes in America*

	EG 80-85	I 80-85	D 80	W 80	Q 75
Canada	1.27	6.3	94	16	41.0
USA	1.65	5.3	92	13	42.8
Mexico	-1.34	62.2	67	5	64.0
El Salvador	-2.51	11.6	30	6	54.4
Dominican rep	-1.03	14.6	75	5	57.5
Guatemala	-2.94	7.4	30	2	58.8
Honduras	-2.54	5.4	75	1	67.8
Costa Rica	-2.10	36.4	90	6	50.6
Panama	.60	3.7	84	7	61.8
Colombia	.31	22.5	62	11	58.5
Venezuela	-3.30	9.2	89	4	54.0
Ecuador	-1.41	29.7	85	10	72.0
Peru	-2.32	98.6	81	9	61.0
Chile	-3.06	19.3	37	20	51.4
Bolivia	-4.80	569.1	50	8	61.0
Paraguay	.14	15.8	30	8	-
Brazil	-.37	147.7	70	16	66.6
Argentina	-3.29	342.8	44	12	50.3
Uruguay	-3.85	44.6	50	16	47.4

Note: EG 80-85 = average yearly economic growth between 1980-85; I 80-85 = average yearly inflation rate between 1980-85; D 80 = Humana's democracy index for about 1980; W 80 = Estes' welfare effort index for roughly 1980; Q 75 = inequality scores for the 1970s. The higher the score on D 80, W 80 and Q 75, the more of democracy, welfare effort and income inequality.

The performance data on politico-economic in the Western hemisphere indicate severe problems of both an economic and political nature. Almost all countries in Latin America did badly on the evaluation criteria employed here in the late 1970s and early 1980s. The decentralized capitalist regimes score higher on most criteria compared with the state-capitalist regimes. Several large nations on the American continent have had to face not only income inequalities, hyperinflation and sluggish economic growth, but they have also scored low on democracy and welfare effort.

The status of democracy is confusing in Latin America. There is a conspicuous lack of a substantial and positive relationship between affluence and democratic political institutions in Latin America contrary to the well-known wealth model of democracy (Lipset, 1959; O'Donnell, 1973). Democracy as a regime displays a circular existence pattern over time as Figure 1 shows.

It remains a puzzle to account for the swing back and forth between democratic and authoritarian rule in Latin America.

Africa

There are few giant nations on the African continent. In terms of politico-economic orientation there is an interesting pattern of a blend of capitalist and socialist regimes, often existing side by side. In the north there is Morocco (22 million) which is a capitalist-state co-existing with a number of more socialist oriented regimes in Cape Verde (0.3 million), Algeria (21.9 million), Libya (3.6 million), Egypt (47.1 million), Sudan (22 million), Ethiopia (42.3 million) and Somalia (5.4 million). How these socialist regimes are to be described in more detail is not altogether clear, as Libya and Ethiopia are much more marxist oriented than Sudan and Egypt. Algeria has moved towards more of capitalism during the 80ies as has Sudan, but both must be classified as socialist regimes around 1980. Tunisia (7.1 million) is difficult to place, Gastil suggesting that it belongs to the mixed-capitalist type.

In West Africa the prevailing regime types are decentralized capitalism or state-capitalism: Mauritania (1.7 million), Senegal (6.6 million), Gambia (1 million), Liberia (2.2 million), Sierra

How to separate a capitalist regime from a capitalist-state regime in this part of the world is not always easy. Thus, it has been argued that capitalist Singapore (2.6 million) belongs to the mixed-capitalist type, which is debatable to say the least. Populous Indonesia (162.2 million) may be designated capitalist-state as should the Philippines (54.7 million). Into the set of socialist politico-economic regimes enter mainland China (1 042 million), North Korea (20.4 million), Mongolia (2 million), Vietnam (62 million), Cambodia (7.3 million) and Laos (3.6 million).

In relation to the evaluation of the performance of politico-economic regimes in Asia one must take into account the enormous impact of long time periods of external or internal war. When presenting data on the performance of Asian politico-economic regimes we focus in particular on countries where about 1980 war involvement had not had a drastic impact on the country. Table 3 has the data.

The overall picture when evaluating politico-economic regimes on the Asian continent including South East Asia is very much different from that of Latin America or Africa. Even though the

majority of countries are LDC:s or NIC:s. Politico-economic performance has been on the whole much more impressive among the set of Asian countries. The average rate of economic growth tends to be higher and the level of inflation lower. Some countries display exceptionally high average growth rates in their economies. When it comes to the political criteria of evaluation things are not as bright as when the economic evaluation criteria were applied. It is true that there are quite a number of countries that score high on the democratic index, but there is also a large number of countries that are right-wing or left-wing authoritarian regimes. Besides the level of welfare state effort tends to be very low and the extent of income inequality high.

Europe

It remains to look at politico-economic performance in the old world, here covering both western and eastern Europe including the USSR and Turkey. On the European continent in this wide sense all the various politico-economic regime types may be found. It is not easy to draw a sharp

Table 3. Politico-economic regimes in Asia and Oceania

	EG 80-85	I 80-85	D 80	W 80	Q 75
Israel	.34	196.3	73	7	39.9
Jordan	2.02	3.9	50	3	-
Syria	-.93	6.1	34	1	-
Iraq	-6.03	-	27	5	-
Iran	5.54	-	30	9	62.7
Saudi Arabia	-	-	29	-	-
Afghanistan	.36	-	30	-	-
Pakistan	2.76	8.1	42	3	-
India	3.69	7.8	70	6	49.2
Sri Lanka	4.73	14.7	75	5	44.5
Burma	2.55	2.6	50	3	-
Thailand	2.03	3.2	64	1	53.4
Malaysia	1.62	3.1	54	4	56.4
Singapore	11.51	3.1	61	4	-
South Korea	4.83	6.0	51	0	42.7
Taiwan	3.77	-	53	-	39.2
Japan	2.73	1.2	92	12	41.0
China	8.49	2.4	32	-	-
Indonesia	3.01	10.7	53	6	52.0
Philippines	-2.04	19.3	51	4	54.0
Australia	1.00	9.1	93	22	43.0
New Zealand	1.44	9.8	96	25	41.4
North Korea	-	-	22	-	-

Note: for the abbreviations see Table 1.

dividing line between the various kinds of capitalist regimes, but a preliminary classification may be suggested for the early 1980s.

To the set of mixed-capitalist systems should be counted all countries with a strong welfare state combined with extensive market allocation. The set of mixed-capitalist regimes includes several small and a few large countries: Norway (4.1 million), Finland (4.9 million), Sweden (8.3 million), Denmark (5.1 million), Iceland (0.2 million), Netherlands (16.6 million), Belgium (9.9 million), United Kingdom (56.6 million), Ireland (3.6 million), Federal Republic of Germany (61 million), Austria (7.6 million), France (55.1 million) and Italy. Perhaps one may argue that Italy (57 million) could be placed among the capitalist-state regimes, but this applies only if the time period studied is the 1950s or 1960s. Equally debatable is the classification of Spain (38.7 million) and Portugal (10.2 million) which, however, is here placed among the set of capitalist-state regimes as we refer to the early 1980s. Into the cate-

gory of capitalist regimes we enter Luxembourg (0.4 million), Switzerland (6.4 million), Greece (10 million) and Turkey (52 million), although Turkey could be placed among the capitalist-state regimes.

Up until 1989 the socialist regime type covered the entire Eastern Europe including the USSR. Thus, there was a number of populous socialist countries and one giant such system: Poland (37.3 million), German Democratic Republic (16.7 million), Czechoslovakia (15.5 million), Hungary (10.7 million), Romania (22.9 million), Bulgaria (9 million), Yugoslavia (23.1 million), Albania (3 million) and the Soviet Union (276 million). One may wish to distinguish between various types of socialist regimes, but it is far from evident how such distinctions are to be applied empirically in a systematic way.

Table 4 covers performance data for the European politico-economic regimes in the early 1980s. The tiny countries on the European continent have been excluded.

Table 4. *Politico-economic regimes in Europa*

	EG 80-85	I 80-85	D 80	W 80	Q 75
Norway	2.30	8.5	95	24	37.3
Finland	1.67	8.6	96	18	-
Sweden	1.96	8.6	94	23	37.0
Denmark	2.23	8.1	96	28	38.6
Netherlands	.10	3.5	94	25	40.0
Belgium	.88	5.9	92	25	39.8
Ireland	.93	10.8	86	25	39.4
United Kingdom	1.44	6.4	95	25	39.2
Switzerland	1.04	4.5	92	19	-
Germany FR	.40	3.2	91	29	45.2
Austria	1.42	4.9	92	28	-
France	.40	9.5	88	26	46.4
Italy	.61	14.2	88	26	46.5
Spain	.83	12.6	78	21	45.2
Portugal	-.02	22.7	86	13	49.1
Greece	.31	20.6	80	16	-
Turkey	1.54	37.1	43	5	58.6
Yugoslavia	1.16	45.1	55	19	41.5
Romania	1.38	-	32	17	-
Bulgaria	.71	-	37	20	-
Hungary	.78	-	54	22	33.4
CSSR	1.00	-	36	24	-
Poland	-.31	-	36	18	-
USSR	1.90	-	27	16	-
Germany DR	1.79	-	35	-	30.9

Note: abbreviations see Table 1.

The mixed-capitalist regimes did not only do well on the political evaluation criteria which was expected, but they also showed fairly reasonable economic performance although certainly not doing exceptionally well. The communist regimes appear to begin to face severe economic problems in the early 1980s which have since aggravated. Some of the capitalist countries are plagued by hyperinflation, a phenomenon which is expressed – cueing – quite differently in the socialist systems. The level of income inequality tends to rather low in Europe, although data are missing for some countries.

We may conclude this elementary geographical overview by noting that there appears to exist a systematic variation across the four continents. Economic performance tends to be problematic on the Latin American and African continents whereas countries in the Asian and European sets tend to do fairly well. High scores on the political performance criteria are to be found mainly on the European continent. However, such a geographical description is more misleading than clarifying as there are exceptions from the general pattern within each continent. What, then, accounts for the overall performance pattern of politico-economic regimes? Does some special type of politico-economic regime matter for economic and political system performance? Let us move to an analysis of variance of the same information reported on above.

Evaluation

Having made a kind of geographical description of politico-economic performance in a number of countries on different continents, we now turn to an analysis in order to find out whether there is some pattern underneath the surface uncovered. Is it true that one kind of economic system or politico-economic regime – capitalism – performs better than its main competitor – socialism? How can we test this hypothesis? If it were true that capitalism did better than socialism, then performance data – economic growth and inflation, democracy and welfare effort and inequality – would tend to differ between regimes with regard to average performance scores. Is this the case? Since the dichotomy between capitalism and socialism is too crude we compare three types of capitalist regimes with the socialist type of politico-economic system. Let us try an analysis of variance of the differences between and within the four main categories of politico-economic re-

gimes in order to test the hypothesis that all brands of capitalism perform better than socialism.

Below we report on the findings from an analysis of variance of the performance data on these four sets of regimes. Some statistics are rendered for each of the evaluation criteria: mean values, maxima and minima as well as CV-scores and the Eta-squared statistic. We are interested in how these different groups of politico-economic regimes perform in relation to each other as well as how much variation there is within the various groups of regimes. The basic question is this: Is there more variation *between* the four sets of regimes than *within* these four subsets themselves? If the Eta-squared statistic shows scores that are larger than .5, then we may conclude that the distinctions between the four politico-economic regimes are real. If, on the contrary, the Eta-squared statistic is lower than .5, then there is more variation within these categories meaning that the regime property itself does not matter for the variation in performance.

Table 5 presents a tentative classification of politico-economic types. Starting from the Gastil framework we have done some changes when classifying countries into sets of politico-economic regimes. On the one hand, a few countries have been classified somewhat differently; Italy, for example, has been placed among the mixed-capitalist systems and not as a capitalist-state system. On the other hand, the two categories of mixed-socialist and socialist have been collapsed to one single category. We have reduced the number of countries (N=84) included in the analysis of variance of the performance scores, concentrating mainly on large countries. The classification has been checked with *The Economist Atlas and Political Systems of the World*.

Among the *capitalist* systems we find both OECD countries and Third World countries. This category is to be found on all the continents as it includes the US and Canada, Ecuador and Chile, Greece and Switzerland, Niger, Ivory Coast and Kenya, Jordan, Thailand and Malaysia as well as Japan, and finally Australia and New Zealand. The *capitalist-state* type covers politico-economic regimes where the state plays a large role within the framework of an extensive private property system and market allocation. This category includes mainly Third World countries in Latin America: Argentina, Brazil, Mexico and Venezuela, or in Africa: Uganda, Morocco and

Table 5. Classification of politico-economic regimes about 1980

Capitalist	Capitalist-state	Mixed-capitalist	Socialist
USA	Mexico	Ireland	Germany DR
Canada	Panama	United Kingdom	Yugoslavia
Dominican rep	Venezuela	Netherlands	Hungary
El Salvador	Peru	France	Czechoslovakia
Costa Rica	Brazil	Italy	Bulgaria
Guatemala	Bolivia	Austria	Romania
Honduras	Paraguay		Soviet Union
Ecuador	Argentina	Germany FR	China
Colombia	Ghana	Sweden	Zambia
Chile	Nigeria	Denmark	Madagascar
Switzerland	Zaire	Finland	Burkina Faso
Greece	Morocco	Norway	Egypt
Niger	Iran	Belgium	Sudan
Kenya	Portugal		Lybia
Malawi	India		Burma
Liberia	Pakistan		Tanzania
Cameroon	Sri Lanka		Algeria
Taiwan	Phillippines		Iraq
Jordan	Indonesia		Benin
South Korea	Uganda		Afghanistan
Japan	Spain		North Korea
Thailand	Turkey		Poland
Singapore			
Malaysia			
Australia			
New Zealand			
Ivory Coast			
Sierra Leone			
Gabon			
Chad			

Note: This classification of politico-economic regimes follows Gastil's framework with some changes. The classification of countries like Spain, Portugal or Singapore is debatable (Gastil, 1987).

Nigeria, as well as in Asia: Taiwan, Philippines and Indonesia. How to apply this category onto OECD countries is debatable. Turkey is often designated as capitalist-state, but how about Spain and Portugal with regard to their fascist heritage?

There are several OECD countries in the set of *mixed-capitalist* systems. Actually, most of the ~~West-European nations enter this category~~ because of their welfare state orientation. Whether we also find some Third World countries in this category is to be doubted as welfare state spending is low among poor countries. The category of *mixed-socialist* or *socialist* countries covers mainly Third World socialist regimes besides the Com-

munist countries. Thus, all politico-economic regime types besides the mixed-capitalist category include both rich and poor countries. A necessary but not sufficiency condition for welfare state spending on a grand scale – big government without socialism – is a rich economy (Lane & Ersson, 1990).

We will start with the economic dimension, including indices that measure the level of affluence and the average economic growth for various time periods during the post World War Two period as well as an indicator on the extent of inflation between 1980–85. Then we will take up the political evaluation criteria.

Level of affluence

It is often argued that capitalist systems have a higher level of affluence than socialist ones. Is this true once we make the concepts of capitalism and socialism more refined? Tables 6 and 7 partly confirm the general impression that capitalism performs better than socialism in terms of economic prosperity, but we must take a closer look at various kinds of capitalist regimes comparing them with socialist regimes. Let us begin back in 1960 (Table 6).

Fifteen years after the end of the Second World War the capitalist and mixed-capitalist regimes had a higher level of affluence on an average than the socialist type of regimes. Since the mixed-capitalist type does not cover any Third World country the distance between the average score for the mixed-capitalist regime is far higher than the average affluence scores of the capitalist and the socialist regimes. Yet, the average real GDP per capita was higher in the capitalist set of countries than in the set of socialist countries. The difference was not striking or 1972 \$ versus 1708 \$ on an average. The variation as measured by the CV-scores was quite extensive among both capitalist and socialist regimes as opposed to the fairly homogeneous set of mixed-capitalist regimes which are mainly welfare states in Western Europe.

However, the state-capitalist regimes display a lower real GDP per capita than the socialist regimes when average scores are considered. Thus, we cannot say that generally capitalism is combined with a higher level of affluence than socialism. Moreover, the variation between and within the four sets of politico-economic regimes is such that it negates an overall generalization that capitalism always does better than socialism in terms of country affluence. The Eta-squared score indicate that the variation within the groups is larger than the variation between the groups. This

finding is supported by the very high CV-scores measuring the within group variation. The socialist regimes and the capitalist-state regimes tend to have a lower level of affluence when mean values are focussed on. We also note that the maximum values in these two sets are high as well as that there are low scoring countries in all four sets of politico-economic regimes.

The prosperous time period-from-the fifties and the sixties up to the mid-seventies with tremendous growth in output as well as in trade benefitted all four types of politico-economic regimes about equally when we focus on average income per capita in various countries. The mean income for all the countries included here grew. A similar expansion took place in all the four sets taken separately, although the increase in the maximum values is much larger than the increase in the minimum values. Table 7 reports on how the different regimes performed when the world economy moved into a lower level of activity, if not some years of recession.

During the 1970s and early 1980s the country mean average income measures rose again, although not as rapidly as during the 1950s and 1960s. The increase was, however, weak among the capitalist-state regimes which had begun to lag behind. Actually, the average level of affluence among the capitalist-state regimes was reduced in the early 1980ies. The other major finding is the poor development in the socialist group of countries which no longer keeps pace with the group of capitalist or mixed-capitalist regimes. It seems as if the mixed-capitalist group managed the economic crisis of the 1970ies and early 1980ies somewhat better than the set of capitalist regimes.

The general finding is that the gap between the capitalist and mixed-capitalist regimes on the one hand and the socialist and state-capitalist sets of regimes on the other hand has increased since the

Table 6. Real GDP per capita 1960 in regime sets.

	Mean	Max	Min	CV	Eta ²
Capitalist (N=30)	1 872	7 380	237	1.11	
Capitalist-state (N=22)	1 319	5 308	314	.87	
Mixed-capitalist (N=12)	4 427	5 490	2 545	.20	
Socialist (N=19)	1 708	4 516	208	.79	
Total (N=83)	2 057	7 380	208	.89	.30

Source: Summers & Heston, 1988.

Table 7. Real GDP per capita in 1985 in regime sets.

	Mean	Max	Min	CV	Eta ²
Capitalist (N=30)	3 811	12 532	254	1.01	
Capitalist-state (N=22)	2 173	6 437	210	.73	
Mixed-capitalist (N=12)	9 359	12 623	5 205	.20	
Socialist (N=20)	3 009	8 740	355	.90	
Total (N=84)	3 984	12 623	210	.91	.40

Source: Summers & Heston, 1988.

1960s. Looking at country mean values the mixed-capitalist regimes in 1985 had a level of affluence twice that of the capitalist-state regimes as well as that of the socialist regimes whereas the set of capitalist regimes displayed twice as high average income values as these two politico-economic regimes that lag behind. More specifically, it is found that politico-economic regimes that involve the state or the public sector to a large extent in the actual operations of the economy do worse than politico-economic regimes which trust markets more.

Interestingly, the higher Eta-squared statistic for the 1985 data indicate that politico-economic regime does matter somewhat. The within group variation is only slightly larger than the between group variation. The mixed-capitalist do much better than the pure capitalistic regimes and the state-capitalist systems, simply because the welfare state is to be found among rich countries. The socialist regimes have not done well but also not extremely badly, as they tend to have a higher level of affluence than the capitalist-state regimes. However, they cannot compete with the capitalistic ones or the mixed-capitalist regimes. Thus, we may conclude that there is some truth to the claim that a socialist regime means less of economic affluence than a capitalist regime, but also that the hypothesis implies an oversimplification.

Economic growth and inflation

The gap between the set of socialist politico-economic systems and two of the capitalist types of systems has increased in terms of GDP per capita. May we conclude that the rate of economic growth is higher among these two types of capitalist regimes than in the set of socialist regimes? Yes, but only for a longer time period like 1960–85. There is too much variation between the countries within all three sets with regard to different periods of time to permit any general conclusion that capitalism performs better than socialism with regard to yearly economic growth rates. Let us use more refined concepts for politico-economic systems and look at the average growth rates in the early 1980s. Table 8 has the data.

Any simple generalization about politico-economic systems fails to do justice to the real world differences in average growth rates. During the five year period between 1980 and 1985 when the world economy was characterized by a low level of activity there are no principal differences in economic growth between the four sets of politico-economic regimes. All the variation is to be found within the four groups as the extremely low Eta-squared measure shows. There are examples of very high average growth rates among capitalist, state-capitalist and socialist regimes just as

Tables 8. Economic growth 1980–85 among regime sets.

	Mean	Max	Min	Eta ²
Capitalist (N=30)	0.2	11.5	- 4.7	
Capitalist-state (N=22)	0.1	5.8	- 4.9	
Mixed-capitalist (N=12)	1.3	2.3	0.1	
Socialist (N=20)	0.5	8.5	- 6.0	
Total (N=84)	0.4	11.5	- 6.0	.02

Source: Summers & Heston, 1988.

Table 9. Average rate of inflation 1980-85

	Mean	Max	Min	CV	Eta ²
Capitalist (N=27)	11.2	36.4	1.2	.80	
Capitalist-state (N=20)	75.7	569.1	3.7	1.84	
Mixed-capitalist (N=12)	7.7	14.2	3.2	.41	
Socialist (N=11)	15.5	45.1	2.4	.84	
Total (N=70)	29.7	569.1	1.2	2.68	.02

Source: World Bank, 1987.

there exist cases of very negative growth rates in the same categories of politico-economic regimes. We cannot say that, generally speaking, capitalism all the time and everywhere does better than socialism in terms of economic growth.

It is possible to broaden the evaluation of various politico-economic regimes by bringing in additional economic evaluation criteria. Here we will look quickly at inflation. The yearly rate of inflation has come to be regarded as a more and more important sign of stability in economic systems. The disruptive consequences of hyperinflation are feared all over the world. It seems as if governments in rich countries put more emphasis on the policy goal of a low average rate of inflation than on reducing unemployment. In any case, a high level of inflation is looked upon as a sign of fundamental economic instability. Are there any systematic differences tied to the various types of politico-economic regimes in terms of the average level of inflation in the early 1980s? Table 9 presents an overview of the situation.

The overall finding is that besides the capitalist-state type it is not possible to trace a special pattern of inflation among the four categories or groups of politico-economic regimes. Although the set of mixed-capitalist systems displays less spread between the maximum and minimum

rates of inflation, the statistics reported on above do not differentiate between socialist regimes on the one hand and capitalist regimes on the other.

Democratic rights

Since there is no standard measure of democracy we have to rely on some indices that attempt to rank countries on the basis of various legal and political considerations. Allowing for the difficulties involved in the construction of democracy indices as well as the problem of strictly comparing these indices we may point to a few striking differences between the four politico-economic regimes. Not unexpectedly, the system variation with regard to democracy is more tied to the between group variation than what was true of the economic evaluation criteria. The Eta squared score is much higher than noticed in the analysis of economic evaluation criteria (Table 10).

In the mid 1980s democratic political rights occurred among the mixed-capitalist regime type. Here, we have a number of countries that scored very high on the Humana democracy index. The mean value for the capitalist or capitalist-state is consistently lower, although these regime categories include countries that score high on the index: New Zealand, Australia, Japan among the capitalist regimes and India in the category of

Table 10. Democracy in 1980 among regime sets

	Mean	Max	Min	CV	Eta ²
Capitalist (N=26)	67.8	96	30	.31	
Capitalist-state (N=22)	59.5	89	30	.30	
Mixed-capitalist (N=12)	92.3	96	86	.04	
Socialist (N=20)	42.7	64	22	.32	
Total (N=80)	62.9	96	22	.36	.48

Note: The Humana index ranges from 0 to 100 and is based mainly on the occurrence of human rights, including political rights (Humana, 1983).

capitalist-state regimes. The democracy score among the three types of capitalistic regimes is higher than that of the socialist type of regime, but there exist some highly undemocratic regimes also in the sets of capitalist and capitalist-state regimes.

The major finding is that this political evaluation criteria does discriminate between the various politico-economic regimes. The capitalist-state and the socialist regime types display much lower values than the mixed-capitalist. The capitalist regime kind scores higher than the socialist regime type on this measure, but this type also includes countries with very low democracy scores: e. g. Chad and Nigeria. Several socialist systems scored very low in 1980: Bulgaria, USSR, Czechoslovakia and GDR. However, there is one more relevant political evaluation criterion, the effort of the state at promoting social welfare by means of various public programmes.

Welfare effort

The Estes indicator on welfare effort in a country may be employed to map differences between politico-economic regimes. It takes into account for how many years a country has employed social legislation. It is believed that the capitalist systems do the least in terms of public programmes in order to enhance social welfare. Table 11 has some data that pertain to this hypothesis about regime differences in welfare effort by the government.

The welfare index measuring the effort at welfare state policies distinguishes between the four sets of politico-economic regimes. The Eta-squared statistic is almost .50 as was also the case with the democracy index. This means that half of the country variation is to be found among the systematic differences between the types of politico-economic regimes. At the same time the picture

is more complicated than what a simple dichotomy such as that between capitalism and socialism would involve. We note that the highest mean score is to be found among the mixed-capitalist regimes. Moreover, the average country welfare effort is hardly more extensive among the socialist regimes than among the capitalist or capitalist-state regimes. Welfare effort is not the same as welfare results. Let us look at an indicator on social outcomes, the distribution of the national income between households.

Income inequality

There is a large number of potentially relevant outcome measures that may be employed for the evaluation of politico-economic regimes. Perhaps the extent of income inequality is one of the most sensitive evaluation criteria, because it has figured so prominently in the ideologies tied to the distinction between capitalism and socialism (Mahler, 1989). Is it true, may we ask, that various politico-economic regimes promote income equality differently? Table 12 provides some clues to the problem of how and if politico-economic systems are characterized by different structures of income distribution. The data available for socialist regimes is meagre.

The Eta-squared statistic being smaller than .5 indicates that the variation within the four fundamental categories is larger than the variation between these four sets of systems. However, there is one major finding: it is not the case that a socialist regime means more of income inequality per se. As a matter of fact, the mixed-capitalist regime type displays lower scores on all the statistics employed here. Thus, the ideological commitment of socialist regimes to equality is one thing and matters of fact another thing. In the

Table 11. Welfare effort in 1980 in regime sets

	Mean	Max	Min	Eta ²
Capitalist (N=28)	7.6	25	-1	
Capitalist-state (N=22)	7.0	21	1	
Mixed-capitalist (N=12)	25.2	29	18	
Socialist (N=18)	10.3	24	1	
Total (N=80)	10.7	29	-1	.49

Note: The Estes index counts the number of years a country has had various types of social welfare legislation (Estes, 1984).

Table 12. Income inequality circa 1975

	Mean	Max	Min	CV	Eta ²
Capitalist (N=22)	52.7	72.0	39.2	.18	
Capitalist-state (N=16)	56.2	66.6	44.5	.13	
Mixed-capitalist (N=10)	40.9	46.5	37.0	.09	
Socialist (N=8)	45.7	61.1	30.7	.22	
Total (N=56)	50.6	72.0	30.7	.16	.33

Note: A top quintile index – income share of upper 20 % of the population – has been used to measure the extent of income inequality. A higher score implies more of inequality in the distribution of income (Muller, 1985; 1988; Taylor & Jodice, 1983; Chan, 1989; Musgrave & Jarrett, 1979).

mixed capitalist systems a combination of economic affluence and political ambitions at redistributing income has resulted in much lower levels of income inequality than in other types of politico-economic regimes. Not very surprisingly, the standard statistics for the capitalist-state type of systems are worse than those of the socialist regime type.

Conclusion

Much more remains to be done before there is a theory about the performance of politico-economic regimes. Here, we have reported on a preliminary analysis based on two evaluation dimensions, economics and politics as it were. Five evaluation criteria using various indices were tested with regard to their discriminatory power in relation to four sets of regimes or systems. In order to move ahead in comparative research in the new field of political economy other evaluation criteria would have to be included and a more refined causal analysis be adopted in order to measure the partial impact of various factors. However, there are some novel findings in the empirical analysis conducted here.

Firstly, we cannot reduce basic properties of politico-economic systems like level of affluence, economic growth, democracy and welfare state effort to the standard crude dichotomy of capitalism versus socialism. A first step towards a refined assessment of the politico-economic performance of various countries is to employ categories like capitalist, mixed-capitalist, capitalist-state and socialist regimes on the basis of how the state recognizes the institutions of private property and of how much space there is for voluntary exchange in the allocation of resources. We simply cannot make sense of all the variation in the data about the performance of politico-

economic systems by using the dichotomy between capitalism and socialism. The political evaluation criteria discriminate better than the economic ones between the basic kinds of politico-economic regimes. Although there is considerable *within* regime type variation, we find some conspicuous *between* regime differences.

Secondly, the mixed-capitalist systems tend to perform better on all evaluation criteria than the other regime types. The socialist regime type as well as the capitalist-state regime type tend to lag behind the other two types of capitalist regimes on the evaluation criteria employed here, in particular the average level of affluence measured by the GDP/capita indicator. Politico-economic systems where markets are given a prominent role tend to do better than politico-economic systems where the state is heavily involved in economy.

Thirdly, the failure of the socialist regime type to keep pace with the development rate among the two capitalist types of regimes is apparent already by 1970. Had reliable data about the late 1980s been available, the misfortunes of the planned economies would have been obvious. It remains to be seen what kind of politico-economic system will develop in Eastern Europe following the collapse of the communist regimes in the fall of 1989.

Fourthly, one brand of a capitalist regime – capitalist-state regimes – performs as badly as the socialist kind of regime. There are straightforward examples of failures even among the decentralized capitalist regimes. More research needs to be done on politico-economic regimes before we know why politico-economic systems differ in their overall performance profile. Evidently, the choice of a politico-economic regime matters but so do other factors.

Appendix 1

Indicators:

Real GDP/capita 1960
 Real GDP/capita 1985
 Economic growth 1980–1985
 Inflation rate 1980–1985
 Democratic rights circa 1980
 Welfare effort circa 1970–80
 Income inequality circa 1970–80

Sources:

Summers & Heston (1988)
 Summers & Heston (1988)
 Calculated from Summers & Heston (1988)
 World Bank (1987)
 Humana (1983)
 Estes (1984)
 Muller (1988; 1985)
 Taylor & Jodice (1983)
 Chan (1989)
 Musgrave & Jarrett (1979)

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