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Anglo-Saxon Capitalism

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Introduction

This paper aims to characterise the Anglo-Saxon model of capitalism. In the introduction, we describe the method of the analysis and the selected countries.

Capitalism is a socio-economic system based on private property, personal freedom, and freedom to sign contracts. Economic processes in the capitalist system are governed to a dominant extent by the markets of goods, services, labour, and capital (Wielka Encyklopedia PWN, 2005). Actually, such a system exists in many (perhaps even most) countries of the world. However, the detailed features of the individual capitalist models differ among countries, sometimes considerably. Thus, there are several models of capitalism.

There is no unique classification: the authors distinguish many capitalist models derived from different classifications. However, regardless of the division criteria, certain common types of capitalism can be found. Following Coates (2001), there are two or three models of capitalism: market-led capitalism and two forms of trust-based capitalism: state-led capitalism (in which the state power plays a dominant role in capital accumulation) and negotiated (consensual) capitalism (which is based on mutual relationships between capital, labour, and the state). According to Coates, market-led capitalism exists primarily in the USA and UK. It is also called neo-American, Anglo-Saxon, or liberal model. State-led capitalism can be found in Japan and South Korea. It is also referred to as the Asian capitalism or developmental state capitalism. Negotiated (consensual) model exists, *inter alia*, in the Scandinavian countries and Germany. It is also called the European welfare capitalism or the Rhine model.

Hart (1992) also suggests the existence of three capitalist systems in the world: American, Western European, and Japanese. Hanson (2006) indicates four types of capitalism in Europe: Continental, Mediterranean, Nordic, and Anglo-Saxon.

Capitalist models can also be divided in another way. For example, we can link them directly with the region (the Asian model, the Scandinavian model, etc.) or with the institutional environment (coordinated or non-coordinated labour market regulations, communitarian or individualistic value systems, credit-based or bank-based system, shareholder capitalism or welfare capitalism).

In the presented paper, we characterise the Anglo-Saxon capitalist model. It will be also called the liberal model. This type of capitalism is distinguished in most of the classifications. There is also a general agreement that this form of capitalism is observed in two countries: the USA and the UK.

We describe the Anglo-Saxon capitalist model based on five countries. In addition to the standard USA and UK, we decided to include three other countries: Ireland, Canada, and Australia, which represent the Anglo-Saxon model¹, similarly to the suggestions of some other authors. For example, Hanson (2006) argues that the Anglo-Saxon capitalism exists in Ireland. The most representative picture of the liberal model belongs of course to the USA and the UK; therefore, we will focus our considerations on these countries. However, several other countries are also worth considering because they can be regarded as representatives of the Anglo-Saxon model.

The best way to show the main characteristics of a particular model is to compare the countries under study with the countries representing other forms of capitalism. Such analysis will show how the features of one economic system are specific to a given system and identify it uniquely, or they are common and exist in many forms of capitalism. Therefore, our analysis compares Anglo-Saxon countries with 10 other countries representing different forms of capitalism: Germany and France (the Continental model), Sweden (the best example of Scandinavian capitalism), Italy and Spain (the Mediterranean capitalist economies), Japan and Korea (the East-Asian model), as well as – which may be regarded as a novelty – Poland, Czech Republic, and Hungary (emerging market economies).

We start the analysis by presenting general characteristics of the examined countries that is a 'deep' institutional environment: their political system, legal framework, and historical and geographical aspects. Then we move to the analysis of the business climate. We focus on the institutions responsible for private sector development by analysing indices of economic freedom and doing business indicators. After that, we discuss explicitly some quantitative variables that reflect the size of government and capital market development. We finish the analysis by comparing the macroeconomic performance of the countries concerned that is their current development level.

The selection of the variables to be examined in the paper is based on a brief review of the literature concerning institutions, structural reforms, and economic growth determinants (see, e.g., Hanson, 2007; Rapacki, 2009ab; Sulejewicz, 2009; Wojtyna, 2009).

The paper consists of six points. The first one is this introduction. In point 2, we compare the countries by examining their 'deep' institutional environment (historical, geographical, cultural, and political factors). Section 3 discusses the institutional framework in terms of economic freedom and ease of doing business. Point 4 shows some quantitative data on the size of government, capital market development, and income inequalities. In section 5, we compare the current development level of the countries. Point 6 contains conclusion².

'Deep' institutions (historical, geographical, cultural, and political factors)

We begin the analysis by comparing the countries in terms of political system, geographical location, and historical factors. Key data are included in Table 1. It shows the political system of the country, the official language, the surface area, the size of population, and the capital city.

TABLE 1. The general characteristics of the countries

Country	Capital	Area (thousand sq. km)	Population (as of 2009; million)	Political system	Official language
Anglo-Saxon capitalist countries					
United States	Washington	9632.0	307.0	Federal republic	English ^a
United Kingdom	London	243.6	61.8	Constitutional monarchy	English
Ireland	Dublin	70.3	4.5	Republic	Irish, English
Canada	Ottawa	9984.7	33.7	Federal constitutional monarchy	English, French
Australia	Canberra	7741.2	21.9	Federal constitutional monarchy	English
Other capitalist countries					
Germany	Berlin	357.1	81.9	Federal republic	German
France	Paris	549.2	62.6	Republic	French
Sweden	Stockholm	450.3	9.3	Parliamentary monarchy	Swedish
Italy	Roma	301.3	60.2	Republic	Italian
Spain	Madrid	505.4	46.0	Parliamentary monarchy	Spanish
Japan	Tokyo	377.9	127.6	Constitutional monarchy	Japanese
Korea	Seoul	99.7	48.7	Republic	Korean
Poland	Warsaw	312.7	38.1	Republic	Polish
Czech Republic	Prague	78.9	10.5	Republic	Czech
Hungary	Budapest	93.0	10.0	Republic	Hungarian

^a United States do not have official language at the federal level but English is the most commonly used language.

The data in Table 1 suggest that the specific type of a democratic political system cannot be uniquely identified with the Anglo-Saxon capitalism. Within this group, there are countries that are republics (the USA and Ireland) and monarchies (the UK, Canada, and Australia). Some of these countries are federations, while the others are not. The lack of correlation between the type of a democratic political system and the model of capitalism is also found for the other analysed economies.

It is worth to look at the last column of Table 1, which shows the country's official language. The language reflects, to some extent, the history of a given country. In a broader context, it can be treated as a proxy for historical and cultural environment. The Anglo-Saxon capitalism exists in English speaking countries. Although English need not be the only official language (for example, Ireland has the second official language Irish, while Canada also uses French), all the Anglo-Saxon capitalist economies are English speaking. The point here, of course, is not the language itself, since English is also found in many other countries that are far from the principles of pure capitalism (for example, Zimbabwe and Sierra Leone). In our case, however, the English language indicates the similarity of historical and cultural features, as the Anglo-Saxon capitalism apparently has developed in the countries that have strong historical relationships with the English society: Ireland for over 100 years (the entire nineteenth century and the beginning of the twentieth century) belonged to the United Kingdom of Great Britain and Ireland. In addition, the United States historical connections with the UK are strong. In Canada, 20.9% of the total population are descendants of the settlers from the British Islands (although the inhabitants of French origin are the most numerous group that constitutes 22.7% of the population)³. The Australian population consists mainly of the descendants of the British people arriving to that country since the late eighteenth century.

We can therefore conclude that liberal capitalism has cultural and historical links with the British society. In fact, the father of modern economics, Adam Smith, was British. In 1776, in his book *The Wealth of Nations*, he was talking about the invisible hand of the market. Using the invisible hand, Adam Smith tried to describe the mechanism of capitalist economies. According to this view, the actions of individuals, due to their selfish desire to satisfy their own needs, lead to the realization of social needs. Through invisible hand, Adam Smith rejects the need for state intervention and protectionism as the factors contributing to the public interest. It seems that British society followed the way proposed in the late eighteenth century by Smith and, in countries that have the greatest historical ties with the UK, the model of liberal capitalism has been developed.

The other countries analysed as reference economies are not English speaking. For many centuries, they have developed in a different cultural environment. Perhaps this is one of the most important reasons, existing deeply in the societies, why these countries put different emphasis on such issues as the economic role of government.

Anglo-Saxon countries differ in respect to their areas and the number of population. Canada, USA, and Australia are the largest countries in terms of the space, ranked 2nd, 4th, and 6th respectively in the world. However, Canada and Australia are sparsely populated: their population is smaller than the population of the UK or Poland. Ireland, in turn, is a relatively small country. The criterion of the country's size, therefore, does not identify a particular model of capitalism.

The development of democracy. There is no commonly accepted way to measure democracy. There are various definitions of democracy. For some people, the nature of a democratic system is binary (the country is democratic or not). For others, it is of a continuous scale (it is possible to identify countries that are more or less democratic as well as those that are not democracies). When we consider the binary definition, all the 15 analysed countries are democratic. In this regard, the democracy itself is not a factor identifying the Anglo-Saxon model of capitalism.

However, the following question arises: Does the scope (or the development) of democracy determine the type of capitalism? Are liberal countries the most democratic ones or the least democratic? To answer this question we use the democracy index published by the Economist Intelligence Unit.

Table 2 shows the values of the democracy index and its components for the 15 analysed countries. Looking at the countries' outcomes in the worldwide ranking, the Anglo-Saxon capitalist model is not associated with a specific level of democracy. Australia and Canada are the most democratic countries: ranked 8th and 9th in the world. Similarly, a highly ranked country is Ireland (11th). The USA is ranked 17th in terms of the level of democracy, while the UK occupies the 23rd place (its low rank is due to a poor performance in political participation, which measures how citizens are willing to take part in public debate, elect representatives, and join political parties).

TABLE 2. Democracy index, 2006

Country	Rank ^a	Democracy index: Overall score ^b	Component variables of the democracy index				
			Electoral process and pluralism	Functioning of government	Political participation	Political culture	Civil liberties
Anglo-Saxon capitalist countries							
United States	17	8.22	8.75	7.86	7.22	8.75	8.53
United Kingdom	23	8.08	9.58	8.57	5.00	8.13	9.12
Ireland	11	9.01	9.58	8.93	7.78	8.75	10.00
Canada	9	9.07	9.17	9.64	7.78	8.75	10.00
Australia	8	9.09	10.00	8.93	7.78	8.75	10.00

contd table 2

Country	Rank ^a	Democracy index: Overall score ^b	Component variables of the democracy index				
			Electoral process and pluralism	Functioning of government	Political participation	Political culture	Civil liberties
Other capitalist countries							
Germany	13	8.82	9.58	8.57	7.78	8.75	9.41
France	24	8.07	9.58	7.50	6.67	7.50	9.12
Sweden	1	9.88	10.00	10.00	10.00	9.38	10.00
Italy	34	7.73	9.17	6.43	6.11	8.13	8.82
Spain	16	8.34	9.58	7.86	6.11	8.75	9.41
Japan	20	8.15	9.17	7.86	5.56	8.75	9.41
Korea	31	7.88	9.58	7.14	7.22	7.50	7.94
Poland	46	7.30	9.58	6.07	6.11	5.63	9.12
Czech Republic	18	8.17	9.58	6.79	7.22	8.13	9.12
Hungary	38	7.53	9.58	6.79	5.00	6.88	9.41

^a The ranking covers 167 countries. Lower rank means better outcome.

^b Democracy index is a qualitative variable ranging between 0 and 10. Higher score corresponds to better outcome (greater democracy).

Source: Economist Intelligence Unit (2010).

The results for other countries show, *inter alia*, that Sweden, representing the Scandinavian model of capitalism, is ranked first in terms of the development of democracy, while Spain and Italy, both Mediterranean capitalist economies, rank 16th and 34th respectively.

According to the general assessments made by the Economist Intelligence Unit, 11 out of 15 countries are full democracies, while Korea, Italy, Hungary, and Poland are in the lower group of flawed democracies.

Our analysis confirms that the type of capitalism is not correlated with the level of democracy.

Governance indicators. The next step in analysing the country's deep institutional environment is to examine the governance indicators published by the World Bank. They are presented in Table 3.

Looking at the methodology, we can see that governance indicators have similar coverage to earlier indices, so the main implications should be the same. They really are at the first view, indicating a non-existence of the evident difference between Anglo-Saxon countries and the other capitalist economies. As Table 3 illustrates, although the indivi-

TABLE 3. Governance indicators, 1996–2009

Country	Governance indicator: overall score ^{a,c}	Voice & accountability		Political stability and absence of violence		Government effectiveness		Regulatory quality		Rule of law		Control of corruption	
		Percentile rank ^b	Score ^c	Percentile rank ^b	Score ^c	Percentile rank ^b	Score ^c	Percentile rank ^b	Score ^c	Percentile rank ^b	Score ^c	Percentile rank ^b	Score ^c
Anglo-Saxon capitalist countries													
USA	1.33	88.8	1.25	63.2	0.50	91.3	1.64	93.6	1.51	92.1	1.54	90.6	1.53
UK	1.49	90.6	1.33	67.0	0.62	93.6	1.76	96.9	1.69	93.8	1.65	94.4	1.90
Ireland	1.50	92.6	1.38	91.5	1.19	91.4	1.62	96.3	1.65	93.2	1.60	92.0	1.57
Canada	1.60	96.1	1.50	83.6	1.04	95.6	1.86	92.8	1.50	95.2	1.70	95.1	1.99
Australia	1.56	94.1	1.42	82.1	1.01	94.2	1.76	94.5	1.56	95.3	1.72	94.6	1.91
Other capitalist countries													
Germany	1.49	93.4	1.40	81.4	0.98	92.0	1.65	92.4	1.45	93.4	1.62	93.6	1.86
France	1.23	87.4	1.22	68.8	0.66	90.6	1.59	84.1	1.12	90.3	1.40	89.9	1.39
Sweden	1.71	97.7	1.55	94.3	1.25	97.7	1.96	93.2	1.50	97.4	1.81	98.0	2.17
Italy	0.74	80.4	1.02	68.8	0.67	74.2	0.72	77.9	0.91	68.9	0.63	69.2	0.48
Spain	1.09	86.9	1.19	53.9	0.27	87.1	1.40	87.0	1.22	86.2	1.20	86.1	1.23
Japan	1.11	77.6	0.96	82.8	1.01	86.3	1.22	78.9	0.95	88.5	1.31	85.6	1.18
Korea	0.65	68.4	0.66	53.0	0.23	79.3	0.94	71.9	0.71	77.1	0.88	68.8	0.45
Poland	0.67	78.7	0.98	68.0	0.64	71.2	0.61	72.7	0.74	68.1	0.62	69.0	0.45
Czech Republic	0.85	78.3	0.97	78.4	0.91	77.5	0.84	82.7	1.05	76.6	0.87	69.1	0.46
Hungary	0.92	84.5	1.11	78.1	0.90	78.7	0.89	83.2	1.10	78.2	0.91	73.7	0.64

^a The overall score has been calculated by the author as an arithmetic average of 6 component variables.

^b Percentile rank indicates the rank of a country among all countries in the world. 0 corresponds to the lowest rank and 100 corresponds to the highest rank.

^c Governance indicators range between -2.5 and 2.5. Higher values correspond to better governance.

Note: All data (both percentile ranks and scores) are arithmetic averages for the years: 1996, 1998, 2000, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009.

Source: World Bank (2010c); own calculations.

dual indices are quite differentiated, the overall indicator for the Anglo-Saxon countries is mixed and ranges between 1.33 and 1.60. The poorest outcome belongs to the USA, UK and Ireland are in the middle, whereas Australia and Canada are the best performers.

However, analysing in detail the values of the overall indicator for other countries we notice that only Germany ranks similarly to the Anglo-Saxon UK (1.49). Sweden is significantly better (1.71) while the remaining capitalist economies rank significantly poorer than liberal ones (France – 1.23; Japan and Spain – 1.11 and 1.09 respectively; Italy, Korea and the CEE countries – below 1.00). As we can see, here the similarities are not so clear as in case of the previous indicators, presented earlier.

How to comment these differences? Let us analyse the performance of Anglo-Saxon economies in terms of the individual component indices. The most interesting results concern the category: regulatory quality. They point to the evident difference between Anglo-Saxon capitalist countries and the other reference economies. Varying scope of regulatory quality explains to some extent the individuality of the model of liberal capitalism. As it turns out later, this tentative finding is in line with the findings obtained in the next steps of the analysis.

Regulatory quality is an indicator that covers the quality of government policy and the degree of regulation for private sector development. It may be treated as a proxy for economic freedom and freedom of doing business (i.e. the variables analysed later in the text). If we look at the methodology, regulatory quality indicator includes such concepts as: export and import regulation, non-resident business and equity ownership restrictions, price controls, discriminatory tariffs and taxes, distortions of tax system, limitation of competition in local markets, whether environmental regulations hurt competitiveness, ease of both starting a business and market entry for new firms. These are the most important factors determining the scope of economic freedom. Such factors have not been included in the earlier indices.

Table 3 clearly shows that in case of a regulatory quality indicator (which represents economic freedom), Anglo-Saxon countries record – in general – a better performance than other analysed economies. UK and Ireland, that seem to have the best regulatory quality for private sector development, notice percentile ranks of 96.9 and 96.3 respectively. Australia ranks 94.5, the USA – 93.6, and Canada – 92.8. These are very good results. Among the other analysed capitalist countries, the outcome comparable to that of the poorest Anglo-Saxon performers belongs only to Sweden (93.2).

According to our opinion, this is a key difference between the Anglo-Saxon model and the other types of capitalism. Anglo-Saxon countries are much better in promoting private sector development because they offer a wide scope of economic freedom to private investors.

The next point of the paper, which is devoted to the analysis of economic freedom and doing business indicators, will confirm this preliminary finding.

Economic freedom and ease of doing business

In this section, we characterise the Anglo-Saxon capitalism in terms of opportunities for private sector development. We take into account the index of economic freedom and doing business indicators.

Index of economic freedom. Economic freedom is an essential component of the capitalist system. It gives a stimulus to the development of private sector, being a very important determinant of a favourable business climate and positively affecting the well-being of the society and economic efficiency. The features of economic freedom vary between different capitalist countries. Some systems are closer to the ideal model of economic freedom, while in the other types of capitalism economic freedom is more restricted. In this part, we would like to check to what extent the Anglo-Saxon capitalist countries share features of economically free societies.

Economic freedom cannot be described by a simple quantitative variable. To assess economic freedom we use qualitative indicators published by specialised international organisations: (1) Heritage Foundation, (2) Fraser Institute.

Table 4 illustrates overall scores of the **Heritage Foundation index of economic freedom** (along with the countries' ranks) as well as the component variables. Countries representing the Anglo-Saxon model of capitalism are characterised by a very large degree of economic freedom. Such a great scope of economic freedom is not achieved by any other countries included in the analysis. The most economically free country is the United States. The index of economic freedom scores 78.3 giving the USA the 6th rank in the world. Over the last 16 years, the scope of economic freedom has been also large in Australia, UK, and Ireland (the index of 78 with worldwide ranks about 7–8). Canada performs slightly poorer with the index of 74 giving the 15th rank in the world. Hence, we may conclude that a wide scope of economic freedom is a fundamental element of the Anglo-Saxon model of capitalism. The other countries listed in Table 4 achieve worse results, even if we compare them to the poorest Anglo-Saxon performer – Canada. For Japan, the index of economic freedom over the past 16 years has been equal to 70.6 on average, which yields the 23rd worldwide rank. For the other countries, this score was lower than 70, placing the countries at the following ranks: Korea (28th), Germany (29th), Czech Republic (33rd), Sweden (36th), Spain (40th), Italy (62nd), France (69th), Hungary (59th), and Poland (74th). Given that all these values are long-run averages for 16 years, such outcomes cannot be a coincidence. They are stable and represent a certain regularity.

Let us now present some results for the component variables of the Heritage Foundation index of economic freedom. Business freedom describes individual's rights to establish and run an enterprise without interference from the state. It is based on the qualitative World Bank doing business indicators related to e.g. time, cost and procedures to start or close a business, or obtain a license. The Anglo-Saxon capitalist countries perform extraordinarily well in this area. Canada, UK, Ireland, and USA achieve

TABLE 4. Heritage Foundation index of economic freedom, 1995–2010

Country	Rank ^a	Index of economic freedom: Overall score ^b	Component variables of the Heritage Foundation index of economic freedom									
			Business freedom	Trade freedom	Fiscal freedom	Government spending	Monetary freedom	Investment freedom	Financial freedom	Property rights	Freedom from corruption	Labour freedom ^c
Anglo-Saxon capitalist countries												
USA	6	78.3	87.2	81.4	65.9	61.7	84.3	72.2	79.4	89.7	77.2	95.5
UK	7	77.9	88.0	80.9	61.7	44.5	83.6	77.5	89.4	89.7	86.1	78.3
Ireland	8	78.0	87.5	80.9	63.4	58.9	84.2	82.8	81.9	90.0	73.5	79.7
Canada	15	74.0	88.7	81.2	62.4	42.4	84.7	54.7	71.9	90.0	88.7	82.5
Australia	7	78.2	80.1	79.5	58.3	60.1	84.9	71.9	90.0	90.0	84.7	91.8
Other capitalist countries												
Germany	29	68.9	76.1	80.9	49.7	31.4	85.1	80.9	55.6	90.0	80.4	44.5
France	69	60.9	80.1	79.6	45.4	13.0	82.3	53.8	54.4	70.6	71.7	55.4
Sweden	36	67.6	78.0	80.9	35.4	2.6	86.1	79.1	74.4	82.8	92.1	61.8
Italy	62	62.1	73.4	79.9	48.6	22.6	82.7	70.3	63.8	64.1	51.3	69.6
Spain	40	66.5	72.3	80.9	51.6	47.6	79.9	71.3	70.0	70.0	62.1	49.0
Japan	23	70.6	82.0	80.8	64.4	59.8	90.7	53.8	48.8	79.4	71.5	83.4
Korea	28	69.4	75.4	69.6	70.1	81.2	81.4	66.3	57.5	80.0	48.7	53.5
Poland	74	59.5	65.7	74.3	61.7	37.1	70.2	61.9	58.1	60.3	46.0	60.9
Czech Republic	33	68.0	77.1	78.4	64.2	40.5	79.4	70.0	87.5	69.7	46.5	64.6
Hungary	59	62.4	72.2	74.2	63.5	19.9	71.1	71.6	68.1	69.7	50.0	68.8

^a The rankings include between 101 and 179 countries depending on the year. Lower rank means better outcome.

^b The Heritage Foundation index of economic freedom is a qualitative variable ranging between 0 and 100. Higher score corresponds to better outcome (greater freedom).

^c Labour freedom has been published since 2005.

Note: All the data (both ranks and scores) have been calculated by the author as arithmetic averages for individual years 1995–2010 (16 years). Since the index of economic freedom is the average for 16 consecutive years, it needn't be exactly equal to the arithmetic average of the component variables (which are also averages for 16 years). Similarly, the countries' ranks are the average ranks for 16 years and some ranks may double (e.g. 7th).

Source: Heritage Foundation (2010); own calculations.

the best results in terms of business freedom (the scores of 87-89).⁴ None of the other countries under study achieves such good outcomes in this regard (the best non-Anglo-Saxon performer, namely Japan, scores 82).

Anglo-Saxon countries also perform very well in terms of fiscal freedom. This indicator encompasses three sub-indices: the top personal income tax (PIT) rate, the top corporate income tax (CIT) rate, and total tax revenue (as % of GDP). In this regard, Anglo-Saxon capitalist countries achieve extremely good results if compared with the Continental, Scandinavian, and Mediterranean models. But comparing them with the East-Asian countries and emerging market economies, it turns out that the outcomes are quite similar.

The index of government spending (as % of GDP) assumes that zero-government spending reflects the best outcome. This is quite controversial and may artificially promote some underdeveloped economies. However, the scale is nonlinear implying that the countries with a very high level of government expenditure rank extremely low. We may generally assume that excessive government spending is not the desirable outcome because it hampers private consumption or investment and discourages economic activity (although some government spending, e.g. on R&D, infrastructure or human capital, should be treated as investments that have positive effects). The best outcome (among all the analysed economies except Korea) belongs to the United States. Australia and Ireland are also free in this regard, while UK and Canada are assessed much lower.⁵

The development of the banking sector (or, more widely, financial sector) constitutes the basis for the development of liberal capitalism. This is reflected by the huge difference between Anglo-Saxon capitalist countries and other analysed economies in terms of the financial freedom. The index of financial freedom measures the banking security and the independence from government control. In this regard, Anglo-Saxon countries perform extraordinarily well. The highest financial freedom exists in Australia and UK (the score of 89-90) as well as Ireland and USA (79-82). Only the Czech Republic achieves such a good outcome (88). The remaining reference economies have financial sectors less free.

Finally, yet importantly, labour freedom is one of the key elements that distinguish the Anglo-Saxon model from the other types of capitalism. This index measures the degree to which the labour market can be treated as the competitive market, free from any constraints, distortions, and regulations. The data indicate that the USA has the mostly free labour market among all the analysed countries (the score of 96). Australia achieves similar results in this area (92). Canada, Ireland, and UK, i.e. the remaining liberal capitalist countries, rank lower but also high. Among the reference economies, only Japan is ranked similarly to Canada. The remaining countries have labour markets much more regulated, that is less free.

To wrap up the results obtained for the Heritage Foundation index of economic freedom, we can conclude as follows. The Anglo-Saxon capitalist model is much more economically free than the other types of capitalism. The major differences concern busi-

TABLE 5. Fraser Institute index of economic freedom, 1995–2008

Country	Rank ^a	Index of economic freedom: Overall score ^b	Component variables of the Fraser Institute index of economic freedom				
			Size of government	Legal structure and security of property rights	Access to sound money	Freedom to trade internationally	Regulation of credit, labour and business
Anglo-Saxon capitalist countries							
USA	5	8.17	7.11	8.08	9.75	7.68	8.23
UK	7	8.06	6.11	8.74	9.44	7.98	8.02
Ireland	8	8.01	5.90	8.32	9.58	8.61	7.64
Canada	7	8.04	6.51	8.58	9.45	7.58	8.08
Australia	10	7.85	6.11	8.85	9.38	7.02	7.91
Other capitalist countries							
Germany	19	7.53	5.05	8.73	9.56	8.17	6.13
France	40	7.06	3.82	7.49	9.61	7.62	6.77
Sweden	29	7.33	3.34	8.64	9.64	7.98	7.07
Italy	47	6.96	5.22	6.42	9.52	7.56	6.09
Spain	31	7.28	5.82	6.75	9.55	7.63	6.65
Japan	24	7.39	5.82	7.69	9.65	6.40	7.39
Korea	40	7.04	6.54	6.54	9.20	7.02	5.93
Poland	74	6.41	4.80	5.93	8.37	6.77	6.21
Czech Republic	53	6.81	3.96	6.46	8.70	8.06	6.85
Hungary	38	7.09	5.10	6.74	8.69	8.03	6.89

^a The rankings include between 123 and 141 countries depending on the year. Lower rank means better outcome.

^b The Fraser Institute index of economic freedom is a qualitative variable ranging between 0 and 10. Higher score corresponds to better outcome (greater freedom). Note: All data (both ranks and scores) have been calculated by the author as arithmetic averages for the years 1995 and 2000–2008 (10 years).

Source: Fraser Institute (2010); own calculations.

ness freedom, fiscal freedom, financial freedom, and labour freedom. Since our results cover 16 years, they are representative and stable. They are not biased by business cycles and other temporary shocks.

Table 5 presents the **Fraser Institute index of economic freedom** and its components. All the data are very representative because they are averages for the years 1995 and 2000–2008 (10 years). Hence, the data reveal rather long-term tendencies and they are not biased by abnormal situations prevailing in some years.

The results shown in Table 5 confirm some important differences between the Anglo-Saxon model and other types of capitalism in line with our earlier findings. The Anglo-Saxon capitalist countries enjoy significantly greater scope of economic freedom than the remaining analysed economies. The best performer is the United States, that ranks 5th in the world on average during the period 1995–2008. UK, Canada, and Ireland also achieve perfect scores, which place them at 7th and 8th positions in the worldwide ranking. Australia is slightly less economically free with the rank of 10. Such good results are not achieved by any of our reference countries. Moreover, the gap between the worst Anglo-Saxon performer (Australia) and the best non-Anglo-Saxon country (Germany) comprises nine ranks. After Germany, the next is Japan that occupies 24th place, Sweden – 29th, while the remaining reference countries' ranks exceed 30. These results confirm one of the most evident distinctions between the Anglo-Saxon model and other types of capitalism: a different scope of economic freedom.

As regards the component variables of the Fraser Institute index of economic freedom, the United States record the best results among all 15 analysed economies in terms of three indicators: size of government (the score of 7.11), sound money (9.75), and regulation (8.23). As regards two of these areas: size of government and regulation, the advantage of the American economy is very large. Moreover, comparing the Anglo-Saxon group as a whole with the reference economies, it turns out that the Anglo-Saxon countries perform considerably better than the reference economies in terms of size of government and regulation. The gap is quite large confirming the reliability of the results.

When we compare these results with the Heritage Foundation index of economic freedom, it turns out that they are very similar. The United States (and the Anglo-Saxon group as a whole) perform generally well in terms of size of government and regulation (referring to the Fraser Institute classification) or business freedom, fiscal freedom and government spending, financial freedom, and labour freedom (referring to the Heritage Foundation methodology). These sub-indicators compiled by the two institutions have similar coverage. The size of government corresponds to fiscal freedom and government spending, whereas regulation corresponds to business freedom, financial freedom, and labour freedom. As regards these areas, there is a considerable gap between the countries with liberal capitalist model and other types of capitalism. Such results surely are not random and reflect the important difference between the economies concerned.

TABLE 6. Doing business indicators, 2005–2009

Country	Ease of doing business index ^a	Number of procedures required to:				Time (in days) required to:			Taxes		Rigidity of employment index ^b
		enforce a contract	register property	start a business	enforce a contract	register property	start a business	Total tax rate (% of profit)	Tax payments (number)	Time to prepare and pay taxes (hours)	
Anglo-Saxon capitalist countries											
USA	4	32	4	6	300	12	6	47	10	270	0
UK	6	30	2	6	403	18	13	36	8	106	6
Ireland	7	20	5	4	515	38	14	26	9	76	10
Canada	8	36	6	2	570	16	4	46	9	119	4
Australia	9	28	5	2	395	5	2	51	12	107	3
Other capitalist countries											
Germany	26	30	4	9	394	40	20	49	15	196	43
France	31	29	9	5	331	140	7	66	17	132	52
Sweden	18	30	2	3	508	15	15	55	2	122	34
Italy	76	41	8	8	1246	27	12	74	15	350	38
Spain	57	39	4	10	515	20	47	61	8	268	49
Japan	14	30	6	9	360	14	25	54	13	345	14
Korea	21	35	7	10	230	11	16	33	14	274	31
Poland	72	38	6	9	890	197	31	42	40	409	24
Czech Republic	70	27	4	9	645	114	22	49	15	842	12
Hungary	44	33	4	5	347	51	20	57	14	336	24

^a Ease of doing business index: 1 = easiest to 183 = most difficult.

^b Rigidity of employment index: 0 = less rigid to 100 = more rigid.

Note: All data have been calculated by the author as arithmetic averages for the years 2005–2009. If a time series begins later or it is not reported for some years, the average includes shorter period.

Source: World Bank (2010a); own calculations.

Summing up the results for both indices of economic freedom, we may conclude as follows. A low size of government as well as regulations promoting business freedom, financial (banking sector) freedom, and labour market freedom are key elements that distinguish the Anglo-Saxon capitalist model from other types of capitalism.

Ease of doing business. Here, we will compare the analysed countries in terms of business environment. We use the World Bank doing business indicators. Selected indicators are shown in Table 6.

The Anglo-Saxon climate is the most favourable for doing business. This is well documented by the values of the aggregated doing business index. The United States rank 4th worldwide. Other Anglo-Saxon countries place consecutively in the analysed group: UK (6th), Ireland (7th), Canada (8th), and Australia (9th). As we can see, all liberal capitalist systems are in the top-ten in terms of ease of doing business. What about other capitalist countries? They rank much lower with Japan and Sweden placing in the next ten (14th and 18th ranks respectively). Korea and Germany both rank in the third ten (21st and 26th respectively). The rest of the countries achieve much poorer results. Such outcomes are not random. They really indicate the advantage of the liberal model in terms of the ease of doing business.

Let us now discuss the main areas in which the Anglo-Saxon countries perform relatively better than the reference economies. The first most important difference concerns time required to start a business. In the USA, it takes 6 days to start a business. In Australia and Canada, this period is even shorter (2 and 4 days respectively); while in the UK and Ireland it takes about 13-14 days. Among other analysed countries, the best outcome is achieved by France (7 days), which is comparable to that of the USA. The remaining reference economies notice significantly longer time to start a business.

The second difference concerns taxes although it is not so clearly visible based on the indicators involved. The group of Anglo-Saxon countries as a whole has generally low tax rates. Ireland has the most favourable tax system: total tax rate (% of profit) equals 26% while time to prepare and pay taxes takes 76 hours. The UK also achieves good results in this area: 36% and 106 hours respectively.

The third clear difference is evidenced by the rigidity of employment index. All the Anglo-Saxon countries have labour markets more elastic than the reference economies. The highest labour market flexibility prevails in the United States that achieves the best score worldwide (0). Australia, Canada, and the UK also notice very low rigidity of employment (the scores equal to 3, 4, and 6 respectively). Ireland ranks high as well, with the index equal to 10. Other capitalist countries do not achieve such good outcomes. Among them, the best one is the Czech Republic (the score of 12), followed by Japan (14), and Poland and Hungary (both 24). The rest of the economies have labour markets much more regulated. These results are in line with our earlier results for the labour freedom component of the Heritage Foundation index.

The size of government, capital market development, and income inequalities

In this section, we would like to analyse explicitly some quantitative variables. We start with the size of government (that has been already included in qualitative indices of economic freedom). Then, we would like to put emphasis on capital market development and income inequalities. The data are presented in Table 7. The figures for both the size of government and stock market capitalization are averages over the period 1995–2009, so they represent long-run tendencies rather than current situation influenced, *inter alia*, by the effects of the global crisis.

Columns 2 and 3 of Table 7 show general government revenue and expenditure (as % of GDP). In this regard, the performance of Anglo-Saxon countries is different than that of the other countries under study. Liberal systems are generally characterised by low share of government revenue and spending in GDP. However, it is worth to emphasise that East-Asian economies, namely Japan and Korea, notice even lower size of government. In the USA, UK, Ireland, and Australia, the shares of both public expenditure and public revenue in GDP do not exceed 40% (only Canada reports somewhat higher shares of 42%). The reference countries except East-Asian economies record the respective shares of 40% or more (with the next exception being Spain that in terms of government revenue notes a 38% share). The largest size of government is noticed by the Scandinavian country Sweden (54% in terms of both expenditure and revenue). Hence, we may conclude that the Anglo-Saxon model of capitalism is characterised by a relatively low size of government as measured by the share of public expenditure and revenue in GDP. This finding confirms our earlier results obtained for the index of economic freedom where fiscal freedom and low size of government constituted one of the key elements identifying the liberal capitalist model.

The next quantitative variable, stock market capitalization (% of GDP), also points to a difference between the Anglo-Saxon model and other types of capitalism. In general, Anglo-Saxon countries have capital markets well developed as evidenced by high levels of stock market capitalization. Except Ireland that reports extremely low level of stock market capitalization (56% of GDP), in other Anglo-Saxon countries this share exceeds 100% being the highest one in the USA (130%) and the UK (140%). Among the reference economies, only Sweden exceeds 100% in this area, whereas the rest of the countries notice the market capitalization of less than 80%. This observation supports our previous findings. When analysing the index of economic freedom we concluded that countries with the liberal capitalist system have banking sectors (or, more widely, financial sectors) well developed. Now, we may add and confirm, referring to quantitative data, that Anglo-Saxon capitalist countries have capital markets well developed.

TABLE 7. The size of government, capital market development, and income inequalities

Country	General government expenditure (% of GDP)	General government revenue (% of GDP)	Stock market capitalization (% of GDP)	Gini index
	Average 1995–2009	Average 1995–2009	Average 1995–2009	
Anglo-Saxon capitalist countries				
United States	37.0 ^a	32.5 ^a	130.2	40.8
United Kingdom	39.8	37.0	139.5	36.0 ^b
Ireland	35.6	35.2	55.5	34.3
Canada	41.9	41.7	104.2	32.6
Australia	34.3	34.7	103.4	n.a.
Other capitalist countries				
Germany	47.0	44.7	45.6	28.3
France	53.2	49.8	74.9	32.7 ^c
Sweden	53.9	54.2	105.0	25.0
Italy	49.0	45.5	40.5	36.0
Spain	40.5	38.3	75.2	34.7
Japan	35.7	29.8	75.5	n.a.
Korea	19.5	21.5	57.1	31.6 ^d
Poland	44.4	40.0	20.6	34.9 ^e
Czech Republic	44.7	40.0	25.3	25.8 ^f
Hungary	48.6	43.5	24.1	30.0 ^g

^a 2001–2009. ^b 1999. ^c 1995. ^d 1998. ^e 2005. ^f 1996. ^g 2004. n.a. = not available.

Note: General government data according to the IMF. Stock market capitalization and Gini index according to the World Bank. Source: IMF (2010); World Bank (2010b); own calculations.

The last indicator included in Table 7 is the Gini index. It measures income inequalities. The Gini index ranges between 0 and 100 with greater values indicating higher income inequalities. We may expect that the Anglo-Saxon countries, which exhibit a liberal type of capitalism, should record higher income inequalities. Moreover, they record considerably lower size of government. Our expectations turn out to be correct. The highest level of income inequalities exists in the USA (Gini index of 40.8) followed by the UK (36.0) and Ireland (34.3). Among the reference countries, the greatest inequalities – at the level comparable to that in the UK – exist in Italy (36.0). The country with the most proportional division of income is Sweden for which the Gini index equals only 25.0.

The current level of development

Since we have already discussed the similarities and differences between the Anglo-Saxon type of capitalism and other capitalist models, we would like to show what are the 'effects' of various capitalist systems. The most important indicators that measure the country's development level are: GDP per capita at purchasing power parity (PPP) and human development index (HDI).

The GDP figures come directly from the official statistics on national accounts (they are only corrected by the IMF to be expressed in PPP terms), while HDI is a qualitative indicator that measures the development level in the broader context (apart from GDP, HDI includes also life expectancy and education). HDI is compiled by the UNDP and ranges between 0 and 1 with greater values indicating a higher level of development.

Table 8 shows the data on both GDP per capita at PPP and HDI. Absolute figures and countries' ranks in the worldwide ranking are reported. The data are the newest available statistics (GDP as of 2009 and HDI as of 2007). In terms of GDP per capita at PPP, the Anglo-Saxon capitalist countries are the richest ones. The leader is the USA that ranks 6th worldwide with GDP per capita at PPP of \$ 45 934. The United States is followed by Ireland (10th rank with GDP per capita of \$ 38 685), Australia (11th), Canada (13th), and the UK (20th). Excluding the UK, the reference economies do not notice such high income per capita. The richest Sweden occupies 17th place (with GDP per capita of \$ 35 951) followed by Germany (21st rank), France (23rd), Japan (24th), Spain (27th), and Italy (28th).

In terms of HDI, the Anglo-Saxon countries achieve also relatively good scores although the USA falls to lower position while three reference economies enter the top ten. As regards HDI, the three most developed countries among all the 15 analysed economies are still Anglo-Saxon states: Australia (2nd rank), Canada (4th), and Ireland (5th). The next three are, however, non-Anglo-Saxon countries: Sweden (7th), France (8th), and Japan (10th). The USA fall to the below Japanese level (13th rank), followed by Spain (15th), Italy (18th), UK (21st), and Germany (22nd).

TABLE 8. The level of development: GDP per capita at PPP and HDI

Country	GDP per capita at PPP (2009)		Human development index (2007)		HDI components		
	Rank ^a	US\$	Rank ^b	Index ^c	Life expectancy		GDP
					Index	Education	Index
Anglo-Saxon capitalist countries							
United States	6	45 934	13	0.956	0.902	0.968	1.000
United Kingdom	20	34 388	21	0.947	0.906	0.957	0.978
Ireland	10	38 685	5	0.965	0.911	0.985	1.000
Canada	13	37 947	4	0.966	0.927	0.991	0.982
Australia	11	38 663	2	0.970	0.940	0.993	0.977
Other capitalist countries							
Germany	21	34 388	22	0.947	0.913	0.954	0.975
France	23	33 434	8	0.961	0.933	0.978	0.971
Sweden	17	35 951	7	0.963	0.930	0.974	0.986
Italy	28	29 068	18	0.951	0.935	0.965	0.954
Spain	27	29 625	15	0.955	0.929	0.975	0.960
Japan	24	32 554	10	0.960	0.961	0.949	0.971
Korea	31	27 938	26	0.937	0.904	0.988	0.920
Poland	46	18 050	41	0.880	0.842	0.952	0.847
Czech Republic	37	24 271	36	0.903	0.856	0.938	0.916
Hungary	45	18 506	43	0.879	0.805	0.960	0.874

^a The ranking covers 181 countries. Lower rank means better outcome.

^b The ranking covers 182 countries. Lower rank means better outcome.

^c Human development index is a qualitative variable ranging between 0 and 1. Higher score corresponds to better outcome (greater human development).

Source: IMF (2010); UNDP (2010); own calculations.

Conclusion

Looking at GDP and HDI figures we may conclude as follows. The Anglo-Saxon countries are richer than the remaining economies. In a broader context, we may say that the Anglo-Saxon group is more developed as compared with the countries representing different models of capitalism. Hence, the advantage of the Anglo-Saxon countries in institutional environment (such as greater scope of economic freedom, easier opportunities for doing business, more flexible labour market, lower size of government) leads to differences in income and development levels. The countries representing liberal capitalism are on average richer than other countries under study.

Finally, it is worth emphasizing that the assessment of any model (not only Anglo-Saxon capitalism) always depends on the input data and criteria. The data given show the Anglo-Saxon capitalism as a model that with respect to most indicators stands on the front, or more often on the highest position. However, if we used more qualitative or other indicators, the position could be slightly worse. A similar impact could also be caused by another composition of the reference countries.

Notes

¹ Among the Anglo-Saxon countries are also New Zealand and South Africa. These countries, however, are excluded from our analysis.

² In this paper, we conduct our own empirical analysis. We do not present the review of the literature or report the findings obtained by other authors. Those who are interested in other authors' views and the results of other studies should see: Coates (2002). This publication presents a detailed debate on different capitalist models. Liberal capitalism is discussed in vol. III.

³ Wielka Encyklopedia PWN, 2005.

⁴ For example, in many states of the U.S. the procedure for obtaining a business license can be as simple as mailing in a registration form with a minimal fee. In Hong Kong, which may also be considered as the Anglo-Saxon capitalist territory because of strong historical links with the British empire, obtaining a business license requires filling out a single form, and the process can be completed in a few hours (Miller and Holmes, 2010, p. 59).

⁵ An interesting case is Sweden. With a high level of government spending, it is treated as completely not a free country in this area. However, if we take into account the quality of fiscal policy, Sweden is surely not a bad performer.

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