The spirits of capitalism and socialism
A cross-country study of ideology

Christian Bjørnskov · Martin Paldam

Received: 9 November 2009 / Accepted: 31 August 2010 / Published online: 18 September 2010
© Springer Science+Business Media, LLC 2010

Abstract The World Values Survey contains an item on ownership which is polled 200 times in 92 countries at the four waves of 1990, 1995, 2000 and 2005. These polls are developed into the CS-score that measures the aggregate mass support for capitalism and socialism. Four hypotheses are advanced and tested to explain the wide variation in the 200 CS-scores. It is due to: the cross-country distribution of income, and consequently the West stands out as the most capitalist-minded area of the world; institutions of the country such as legal quality; the left-right dimension in politics; and cultural differences.

Keywords Property rights · Ideology · Institutions

JEL Classification O43 · P14

1 Introduction: the mass support for capitalism and socialism

The most fundamental institutional choice countries face is the choice of economic system as characterized by the two main types of ownership: What ought to be privately owned and what should be publicly owned? This decision is taken politically at the national level—often in a process of small steps as parts of political compromises. Our analysis deals with the popular basis for the decision, i.e., the preferences of the population.
We employ one item in the World Values Survey (WVS) (2010) which asks the respondents whether they prefer public or private ownership. The item has been polled in 92 countries, at least once in the four waves of 1990, 1995, 2000 and 2005, giving a total of 200 polls. This appears to be by far the most comprehensive data set on ownership preferences available.

The ownership question belongs to a series of questions about preferences that respondents may have about society. The question is formulated as: ‘Private vs state ownership of business and industry should be increased: Indicate preference on a scale from 1 to 10. 1 is strongest preferences for private and 10 is the strongest preference for public ownership.’

The two sentences in the formulation of the item may be a little contradictory. The first sentence uses the word ‘increased’ that points to a change of ownership. The second sentence asks people about their preferred level of ownership. Thus, the item has a potential level problem. This paper interprets the answers in line with the second sentence. Section 2.3 demonstrates that this is in accordance with the answers of most respondents, but it cannot be ruled out that some answers reflect the changes the respondents prefer.

The answers are taken to measure mass ideology as an ownership preference. The polls thus measure the preferences for capitalism versus socialism. The answers can be aggregated in many ways. Section 2 justifies the aggregate chosen as our CS-score (for Capitalism versus Socialism) and explains how it is calculated.

We measure this preference in a period of considerable actual change. The first data for the CS-scores are for 1990, which saw the triumph of capitalism: No less than 23 of the countries covered changed from socialism to capitalism, and many other countries privatized state owned enterprises around that time. The CS-scores may thus have started at a peak, and have a falling trend in the following WVS waves.

The respondents’ stated preferences differ substantially between countries, and it has changed over time, enabling us to draw conclusions about the factors shaping the economic system. The CS-scores reflect preferences that may be related to almost any institutional and political structure. Recent literature in political economy and public choice explores how the choice of ownership system relates to the economic and political system. Studies have found a complex causal network where choices about the legal system, public bureaucracy and democratic institutions are associated with economic development. In its turn, it is related to other relevant types of outcomes such as corruption and subjective well-being. Yet, while overall economic development influences institutional quality, recent studies find that beliefs and basic values are also associated with these choices. Consequently, we look at the relation of the CS-score to four types of factors (F1) to (F4), which are each measured by a representative variable defined and documented in Sect. 5.1:

(F1) Development: average income.
(F2) Institutions: components of the Economic Freedom Index.
(F3) Ideology: two versions of the Left-Right dimension in politics.
(F4) Culture: fixed effects for the standard regional classification of countries.

1The privatization wave is analyzed in Parker and Saal (2003) and (for Western Europe) in Köthenburger et al. (2006); see also Megginson and Netter (2001).
2Causality between institutions and development is complex, see, e.g., Knack and Keefer (1995), Acemoglu et al. (2005), de Haan (2007), Engerman and Sokoloff (2008), Paldam and Gundlach (2008) and Blume et al. (2009), and on beliefs and values and development see, e.g., Knack (2002), Uslaner (2002) and Bjørnskov (2010).