UNIVERSITY OF LJUBLJANA

FACULTY OF ECONOMICS

MASTER'S THESIS

ARE ECONOMIC DEVELOPMENT INDICATORS BIASED BY CULTURAL BACKGROUND?

Ljubljana, January 2017 MIROSLAV VUČKOVIĆ

AUTHORSHIP STATEMENT

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INTRODUCTION

What makes one country more developed than the other in economic terms? There are many ways of answering this question, but this thesis will focus on the role of culture, more specifically cultural biases, in explaining economic development indicators of countries from the Organization for Economic Co-operation and Development (hereinafter: OECD). Identifying cultural determinants of economic outcomes is still in its infancy and can potentially bring extraordinary changes in the socio-economic development of countries; especially from the perspective of economic policy (Gorodnichenko & Roland, 2010). History is frequently viewed as a very important determinant of current economic development according to Tabellini (2010). Therefore, closely connected with the topic of my master thesis are also the changes that institutions have brought throughout history to a country's economy and the interaction between institutions and culture. There is a so-called feedback effect between institutions and culture, since they are interdependent and continuously evolving (Alesina & Giuliano, 2013). Giddens (1984) would call this process *structuration*. Historical institutions have for this reason had a colossal impact on countries and their development. For example, at the Bretton Woods conference in 1944 new institutions were created which have shaped the post-war economic order and have strongly influenced the development of the world (Unsustainable goals, 2015).

Culture is a commonly used word which is defined and described differently by scholars, businessmen and/or people around the world. It is a 'way of life' which affects everything, including the development of countries (Adams, 2001). There is a general need for cultural understanding, especially in connection with research regarding economic development (Kottak, 1990). In this thesis, I will address **cultural biases** in various economic development indicators of countries which are subjective in their nature, as for example World Economic Forum's Global Competitiveness Indicators.

I will limit myself only to member countries of the Organization for Economic Cooperation and Development (OECD), since they are generally well developed, yet at the same time also encompass different cultures and can be assigned to different so-called cultural clusters which make up the background of my cultural research. I will explore the works of academics and organizations linked with research on culture and various cultural typologies and frameworks, such as Geert Hofstede, Shalom Schwartz, Ronald Inglehart, Christian Welzel and economic sociologist, like Viviana A. Zelizer. Hofstede's work will be essential to my research, as I will be using his 6-dimensional cultural framework of national culture to compare cross-cultural differences among countries in my study. Founded in 1961, the OECD is composed mostly of the world's most developed countries. It is meant to encourage world trade, economic progress and prosperity. The organization is a strong supporter of democracy and market economy (OECD, 2016a). I will not include the newest member Latvia, whose accession to the OECD occurred in July 2016 when this thesis was already partly written. In relation to the research of different academics, I will group countries into different cultural systems, or clusters. These clusters can then be compared with countries grouped by specific economic indicators, in order to assess the degree of overlap between the two. For this comparison, I will draw on Welzel and Inglehart's models.

There are many different ways to measure economic development of countries and many indices that try to explain how countries progress, or change over time. These indices and their indicators are usually taken for granted as "purely objective" measures, although not many people actually know, nor understand where the data comes from, or how they are measured. They are considered to be completely objective, because they are made by distinguished organizations, which are acclaimed and respectable. But economic development can also be a very subjective category. Rankings and scores can often depend not only on macroeconomic and other types of "hard" data, but also on the opinions and perceptions of key informants in given countries. This is especially true in situations where culture affects subjective perceptions. Many of these indicators are set by collecting peoples' attitudes towards development on different ordinal Likert-type scales. And in reality, such indices and measurements can be very subjective, especially in some specific surveys, as for example in the World Economic Forum's Global Competitiveness Report. This means that many of the indicators are in fact "soft indicators", and that the results are not derived from objective hard data, but rather from opinions and personal judgments. Therefore, I will have to determine which indices and indicators are the most appropriate for this thesis and analyze them in connection to cultural backgrounds of the studied countries to see if and how much they are subject to various cultural biases (e.g. pessimism, avoiding risks).

It is also important to look at the connection between different concepts like culture, institutions, politics, economic freedom and development. That is why I will also look into institutional economics and economic sociology theories to explain the connection between culture and economic development. Especially important will be the connection with established institutions and freedom within the countries, which is often mentioned in different rankings. Distant history has had a huge influence on culture, institutions and development of specific countries. Still, there is little comparison between most recent and earlier indicator results, since culture is believed to be relatively stable and does not change rapidly (Williams, 2007).

The purpose of my master thesis is to understand how cultural backgrounds and biases can inherently drive (subjective) indicators of economic development, thus impacting the final rankings of countries' economic development and competitiveness. In this context, I limit myself to OECD member countries. I first determine which indices and indicators are more subjective in such reports/rankings, and hence more prone to the impact of cultural backgrounds and biases. Then, I compare the overlap between various cultural clusters and specific economic development indicators, or rather groups of countries according to these indicators.

The main **objective** of this master's thesis is to find out if culture has a (major) influence on economic development indicators of countries and how different cultural clusters mirror various levels development of the studied countries? My second goal is to find out how objective various economic development rankings actually are? The third goal is to discover how globalization affects culture, and what implications might that hold for socio-economic development. The fourth objective is to assess the degree of overlap between different culture and economic development country clusters. In order to achieve these objectives, I will attempt to answer the following key research questions:

- How does globalization affect culture?
- How objective are various economic development indicators?

- Is there a link between culture (biases) and economic development indicators among OECD countries?
- Are groups of countries categorized by cultural system similar to the groups of countries categorized by their economic system?

In this thesis, I will use only the data from secondary sources. Most of it will be gathered in different books and articles, as well as on sites and in databases of reputable organizations and companies such as the World Economic Forum (WEF), World Bank (WB), the United Nations (UN), The Economist and Transparency International. Cultural background information will be based on various cultural typologies and their corresponding scores (e.g. Hofstede's cultural scores).

In the first chapter, I start with defining key concepts, such as culture and economic development. Then, I examine the most prominent academics in the field and study their theories in connection with culture and cultural systems. In the second chapter, I look at OECD countries and classify them into different cultural cluster groups. I also compare those groups with economic development of these countries and assess the degree of association between the two classifications. The third chapter includes development indices which rank countries in many different ways, and the specific indicators behind those indices. In this chapter, I connect theory from culture with identified and selected "soft indicators" from the aforementioned development rankings and reports. Another subject that I study in the third chapter is the objectiveness of those rankings and indicators. In the fourth chapter, I analyze the indices and indicators from the third chapter and try to find associations between cultural groups and economic development. This is where the data will be presented and discussed, as part of the empirical part of my master thesis. In the fifth chapter, I present the results and discuss them. I provide recommendations for policy makers and other publics in the sixth chapter, followed by a conclusion in the end.

1 CULTURE, ECONOMIC DEVELOPMENT AND INSTITUTIONS

1.1 Culture

1.1.1 Definition of culture

Culture is a word that we use in everyday life, but if you ask people to define it, there can be countless different definitions. It is everywhere around us, but it is still often hard to grasp and conceptualize (Rašković & Kržišnik, 2010). The word "culture" is derived from the Latin word "*cultura*", which was later used in the middle ages and in fact means to cultivate (Culture, 2001). According to Barker (2004, p. 44), culture can be simply explained as a "whole way of life", although this definition separates the concept from that of the "Arts". Such deviation can be useful for a specific research, but is not used often among the general population. What popular media usually projects as culture is art, literature, music and other tangibles. However, this is only a partial definition, and the word culture can be used for much more than that.

Culture usually encompasses values, norms, beliefs, attitudes, behaviors and communication patterns (Makovec Brenčič, M., Pfajfar, G., Rašković, M., Lisjak, M., & Ekar, A., 2009). One of the first researchers to define culture similarly to today's frequently used definitions was Tylor (1871, p.1) who explained it as "that complex whole which includes knowledge, belief, art, morals, law, customs, and any other capabilities and habits acquired by man as a member of society."

According to Kluckhohn (1951), culture is a patterned way of thinking, feeling and reacting which is mostly acquired and transmitted through symbols in order to constitute the distinctive achievements of groups, including their embodiments and artifacts. Trompenaars (1993) believed that culture is the *context* in which things happen. To him, culture represents a shared system of beliefs and meanings, affecting how members of a group act, what they value, and what they pay attention to. Dahl (2003) observed that culture is not genetic or inheritable, but learned. Although all members of a group, or society share a common culture, expressions of culture-resultant behavior are adjusted by individuals' personalities. Herskovitz (1955) simply described culture as *everything* in the environment connected with human beings, while Elliot (1949) described culture as something that makes life worth living.

One of the most famous researchers of culture and its influences, Geert Hofstede, believes that culture is a collective programming, or software of the mind differentiating one group of people from others (Hofstede, 1980). He is well-known due to his cultural dimensions theory which distinguishes 6 dimensions of national culture and has enabled cross-country comparisons in general management theory, including international business. Williams (2007) states that culture is also a type of institution, just like markets and companies. There is no generally agreed definition of culture and many believe that there will never be one (Trompenaars, 1993). Tabellini (2010) explains that culture is largely still a black box. It is mysterious and not properly understood. However, in international business context, as Hofstede (1994, p. 1) so nicely put it: "The business of international business is culture".

What this thesis will focus on is the exploration of culture and cross-cultural comparison within OECD countries. Therefore, it is important to understand *national* culture. Very interesting is the broad definition of national culture provided by Leung et al. (2005). They state that culture consists of values, beliefs, norms and behavioral patterns of a national group, and that culture should be based on shared meaning. Gould and Grein (2008) disagree with some of their arguments, mostly due to failure to recognize the limits of the national culture construct, and national culture being only one form of culture. They are irritated with the definition of national culture, due to its simplification and inaccuracy. So, a nation is obviously not the only cultural grouping. Erez and Drori (2009) explain that culture can cross national boundaries and that some unconnected regions have more similar culture than some countries. This is a common occurrence in the world and while many nations contain multiple cultures, some of them are also stretched across borders to other nations (e.g. the Kurds in the Middle East). We can also see many such multi-influenced and multi-cultural examples in countries located in the sub-Saharan Africa, for example (Jackson, 2011). Frenkel (2008) also acknowledges that there are limitations connected with groupings based on nations and ethnicities. But nations can obviously be useful for cultural analyses in international business and/or economics, primarily due to their well-defined boundaries (Leung et al., 2010). Companies see the world divided by countries and regions and the information on such a scale in relatively simplistic and orderly

form is of paramount importance to them for conducting business and standardizing/adapting their strategies.

Culture is also an order system in some way, which works through norms. In development terms, Arnold (1869) spoke about culture as an enemy of anarchy, since it teaches people to nourish state and order. It pushes them to strive for better life and for something more. It is important to emphasize that an individual does not have culture but rather a personality. According to Alvesson (2002), culture is some kind of glue that binds people together. Still, a person's behavior is dependent on the culture of the group, and culture of the group is dependent on culture of the society to which that group belongs (Elliot, 1949). Therefore, behavior of the individual is partially a result of the culture of that society, which a person is a part of. So the only way to change the culture is at a higher level, by changing the whole society. Individual beliefs about how social exchange takes place must be changed *en masse* for meaningful cultural changes to occur (Williams, 2007).

There are many famous literary works, usually dystopian, where writers present worlds where culture is partly absent or non-existent, due to enormous changes in society. Bradbury (1967) wrote Fahrenheit 451, where in the future all books are being burned and therefore, people are destroying art. Orwell (1949) wrote Nineteen Eighty-Four where the government persecutes individualism and independent thinking, and Huxley (1932) wrote Brave New World, where development comes to the stage where society is utterly controlled. There are also movies with similar themes, like Equilibrium, where all forms of feelings and artistic expressions are illegal, people are taking pills to subdue feelings and all artworks are being destroyed (Wimmer, 2002). Something like that is probably unlikely in the near future, but many would argue that cultures are actually converging and becoming less regionally distinguished with the development of globalization and free trade (Craig & Douglas, 2006; Levitt, 1983), leading towards a processes called acculturation (Cleveland et al., 2016; Berry, 2008). This belief is particularly strong among the younger generation (Carpenter et al., 2012). However, this convergence is not complete, thus calling on companies to develop semi-global marketing strategies based on *glocal* consumer identities (Douglas & Craig, 2011).

1.1.2 Culture and Globalization

There are many different perspectives on the relation between globalization and culture. Many suggest that globalization is changing the cultures around the world by uniting them and leading to an ultimate convergence. This stream of thought was initiated by Theodore Levitt's (1983) seminal work on the idea of complete market and consumer convergence caused by the exponential forces of globalization taking off in the 1980s. Craig and Douglas (2006) believed that culture is becoming less dependent on territories and penetrated by elements from other cultures. This results in hybridization and cultural pluralism (Berry, 2008). Hermans and Kempen (1998) talk about greater linkages and interchange between cultural entities. Members of different cultural groups move between countries and bring their own cultural traits which slowly influence the culture of that country. Such intermingling causes the penetration of one culture by another which affects both (Andreasen, 1990). Fusion of different elements arguably enriches and definitely alters the culture of the recipient.

But are (national) cultures really losing their distinguishing features and changing that fast? It is obvious that culture can evolve over time, but some academics like Williams (2007) and Zelizer (2011) believe it takes a very long time for culture to change, and that such shifts are usually motivated and/or caused by human purposive action. Williams (2007) mentions that the pace of cultural change and change of cultural elements is very slow, usually occurring only due to external shocks. Feldmann (2004) agrees, and describes the Industrial revolution in Great Britain and the rise of Communism as such external shocks. Others meanwhile believe that it is happening relatively quickly, due to the evolution that is onset by reshaping political, economic, technological and social forces (Usunier & Lee, 2005). They believe that because of the rapid pace of change, it is very important to understand how culture is transformed by global forces. The expanding network of mass communications, television, radio and the internet has had a huge impact on such changes, according to Hermans and Kempen (1998). Still, this metamorphosis is not a new phenomenon, and has been occurring since the first civilizations, when cultures were relatively entrenched. It would be naïve to believe that changes are occurring only now and have not occurred also in the past centuries and millennia (Feldmann, 2004). Globalization might have a stronger effect on culture today than it used to, but other factors like trade and especially immigration have been occurring since the dawn of humanity.

Trade and economic relations are a very strong factor influencing cultural changes and have played a crucial role in human history. Since the first civilizations, people have been trading with each other and imposing their culture on hosts through their products, services and/or behavior (Curtin, 1984). It has always been one of the strongest external stimuli for changes and it has influenced peoples' actions in many ways. For example, food imports changed the eating habits of the domestic population. Good examples are the alien varieties of food which appeared on European tables after the discovery of the New World, such as potatoes, tomatoes and maize (Nunn & Qian, 2010). Clothes and similar products influenced what people wear and what they use in everyday life. Silk from China, for example, altered how people dressed across Central Asia and Europe (Elisseeff, 2000). Global trade today is also allowing constant changes to way of life across the world, bringing not only more variety and inducing economic specialization, but also inducing convergence; or at least glocality (Douglas & Craig, 2011).

Membership of a culture is becoming more and more fluid and multifaceted, as people increasingly travel, consume and/or work abroad. They sometimes quickly adapt to new cultures, but still partially impose their own. We can see immigration as another very strong factor in cultural (ex)changes. One of the strongest visible historical cases is the United States of America, where the majority of population came from other continents as economic immigrants. Marchi (2009) explains how the conquest of the New World brought huge systematic transformation to indigenous population of the continent and completely changed their culture through aggressive behavior of European explorers. Through the centuries, domestic culture has experienced constant changes mostly through immigration of European settlers, but also Africans, Asians, Latin Americans and others. The USA demonstrates the hybridization of cultures that Hermans and Kempen (1998) were speaking about. Another obvious example is the British cultural influence in India, where the majority of the population uses English language, especially to communicate across the states and different cultural groups (Mill & Thomas, 1975). Most of the education in the country is in English language, as well as communication between people. Therefore, British culture is heavily entrenched and mixed with the domestic one. Malaysia, like much of the world is also a confusing mixture of tradition and piety on one hand, and secular individualism on the other hand, which was imposed from

foreigners on the other (Smaller, smarter families, 2016). There have been gigantic changes in the country due to historical immigration and mixture of cultures, but differences which remain colossal, especially between rural and urban areas can create problems, as well. There is an enormous immigration influx currently occurring through Southern Europe, as well. The increase in immigration numbers of Middle Eastern and North African people to Europe that started in 2015 and will continue in 2016 will also eventually have cultural consequences in European countries, as will their integration and lack thereof on European security. Although European countries will most likely insist that immigrants respect domestic values, such as tolerance and sexual equality, many of the immigrant cultural traits will mix with domestic in time (Migrant men and European women, 2016). Probably many of those values will be accepted, but some will be adopted only partly, or not at all. From these cases we can see that immigration was always one of the strongest factors in cultural changes, and a key aspect of the relationship between globalization and cultural change with also profound economic development consequences.

Some proverbs, such as "When in Rome, do as the Romans do", which is attributed to St. Ambrose, are closely connected with the role of cultural context in human behavior. But when Rome conquered other nations and enslaved them, they strongly influenced the culture of Rome itself and profoundly changed it (Shamir, 2015). Christianity for example, was a foreign religion, which was introduced by later Roman Emperors (more precisely Constantine the Great) and through centuries it spread to be arguably the largest religion in the world. On the other hand, people could argue that the proverb is losing its importance, due to globalization's effects and the acceptance of foreign cultures around the world. As Andreasen (1990) mentioned, there is a cultural interpenetration occurring, and cultures are actually becoming more and more alike due to similarities and sharing elements of some cultures. Therefore, it is becoming easier for people to integrate into foreign cultures nowadays. Ardalan (2009) advises that in the age of globalization, it is better for people to become open-minded, since different people around the world have different perspectives and it is very useful to understand them and know how others think. Unfortunately, many are still afraid of the unknown and they are often not willing to adapt, or to accept foreign cultures. The reality is that people with a different way of life are strangers by definition. Their behavior is alien and can often be branded as dangerous by local population (Curtin, 1984). Leung et al. (2010) argue that despite the spread of primarily western culture, the world is still not globalized in terms of complete cultural convergence, nor will it most likely become. Such a *glocal* view is also shared by Douglas and Craig (2011), as well as close to Berry's (2008) biculturalism concept within his acculturation framework. After the economic crisis of 2008, the process might have even reversed partially according to The Economist (The Gated Globe, 2013), since growing nationalism occurred in many countries. The magazine believes that globalization has paused since the financial crisis and that regionalization and nationalist interventionist models are gaining ground. Although globalization is bringing peoples and cultures together, the reality seems to more strongly support glocalization than globalization in the sense of complete convergence.

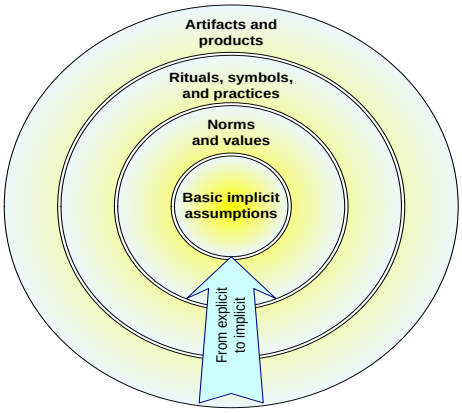
1.1.3 The Concept of Culture

1.1.3.1 Layers of Culture

Culture manifests itself through different layers of explicitness, which Trompenaars (1993) depicted in his famous Onion diagram. Like an onion, each layer lies deeper under the surface and is less visible, with the central core practically invisible and completely implicit. The outer layer represents the most explicit elements of culture, while the other three layers represent increasingly implicit elements of culture. The first, outer layer, consists of artifacts, objects and products. These are produced by the members of the culture and are most visible. The second layer consists of symbols, rituals, practices and heroes. Symbols can be pictures, objects, gestures and words that can often be recognized only by the members of the culture. Rituals are collective activities that are technically unnecessary but are considered very important within a culture, keeping the individual linked with the society. Practices are various behaviors people engage in to satisfy their needs and achieve ends. Finally, heroes are persons that serve as models for behavior. They can be dead or alive, real or imaginary and they possess characteristics that are very valuable in the culture (Zagoršek, 2004).

While the second layer of culture is visible to outside observers, the cultural meaning of various behaviors is invisible and lies only in the ways these practices are interpreted by insiders (Hofstede, 2001). The third layer includes norms and values. Norms give ideas how members of society should behave. Thus, they should be seen as *societal rules* and *prescriptions*. Values are related to the ideals of society and show what state of affairs members prefer, or what is valuable to them and how things should be. A culture is relatively stable, when the norms reflect the values of the group, according to Zagoršek (2004). Values and norms, just like beliefs and ideals cannot be explicitly observed by the outsiders. The core of the cultural onion consists of, or is rather represented by basic assumptions or views about humanity, purpose of living and solutions to some universal problems. This layer is often connected to philosophical principles and religious beliefs. Figure 1 shows the four layers of culture within the onion diagram.

Figure 1. The four layers of culture – Onion diagram of culture



Source: Based on G. Hofstede, *Culture's Consequences: International Differences in Work-related Values*, 1980; F. Trompenaars, *Riding the Waves of Culture: Understanding Cultural Diversity in Business*, 1993.

1.1.3.2 Components of Culture

Different to cultural layers, which can be linked to levels of explicitness, the concept of cultural components refers to specific pieces of the cultural puzzle which jointly form a complete whole. According to Hrastelj (2003, p. 256), there are seven general components of culture, namely:

1.) Social organizations and institutions: they consist of various institutional aspects of everyday life, the division of social tasks, methods and reasons of connecting people, in order to realize their common needs and which belong or would like to belong to a specific reference group. From these groups they can expect and accept behavioral guidelines. There are groups to which we belong or want to belong to, and the groups from which we wish to differentiate. In the societies there may also exist different categories and classes, like the caste system in India.

2.) Norms and values: social norms represent the adopted rules, standards and behavioral models which members of specific group should follow. Norms are needed to direct people's behavior. Their function is very similar to the function of the traffic laws and rules for driving on the road. Without them, people would drive anywhere they want, including on the meadows, fields and other inappropriate locations. But the traffic laws and rules (norms) ensure that we drive in a more orderly, safe and efficient way (Treven & Srića, 2001). Values on the other hand, are the principles that guide our lives. They are deeply rooted ideas that form the basis of norms. Schwartz (1992) defined values as: (1) concepts or beliefs, (2) relating to preferable condition or behavior, (3) which exceed certain circumstances, (4) direct behavior or events, and (5) are arranged according to their relative significance (priority).

3.) Religion (or a lack thereof): has a different meaning in different societies, but often affects behavior, values, norms, beliefs and customs of people in a social group, and usually also affects the life of the people. Usunier (1996) defined religion as an organized grouping of security, feelings, values, symbols, cultural activities, moral rules and norms that are related to the understanding of the supernatural and questions about life, death, origins of society, creation of the universe, afterlife and relations within society. According to Cateora (1993), religion often has a great influence on material culture, attitudes towards property, usage of products and services, people's habits, consumer purchasing decisions, the role of women in society, ways of dressing, and ways of doing business. Trompenaars (1993) believed that an imperative approach to understanding and studying culture lies in looking at culture as a multi-layered social process which consists of many things including religion. Arnold (1869) gave an impression that culture is more comprehensive than religion, but Elliot (1949) disagreed. He believed that no culture has appeared or developed except together with a religion, therefore they are interlinked. It appears that culture is either a product of religion, or religion is a product of culture. He goes even further and suggests that culture and religion might be different aspects of the same thing. Elliot (1949) also hinted that just as religion can disintegrate when reaching a highly developed stage, so can culture; as some historical examples show. For example, Europe with strong Christian heritage is secularizing rapidly (The necessity of culture, 2016).

4.) Language: represents one of the most important components of culture, since it enables interaction and communication. According to Bradley (1991), language is a mirror of culture, which reflects its content and nature. Language, according to Ferguson (1998), embodies the abstract dimension of culture, which derives from the behavior, values, beliefs and attitudes that are transmitted between people through the language as a basic mode of communication, verbal or non-verbal. On the French Academy of Sciences and Arts they counted 2,796 languages, or approximately about 15 times more languages, as there are countries in the world. In addition to verbal expression, especially in the so-called high-context cultures, non-verbal communication is also very important (tone of voice, body language, social status of the individual, facial expressions etc.).

5.) Educational and training systems of different levels and specializations: educational systems and institutions often play a key role in the transfer and transmission of culture and its elements to younger individuals in the society because the culture is supposed to be learned until person's 10^{th} year of life. The education system can be more (regular compulsory schooling) or less formal (extracurricular activities).

6.) Aesthetics: is often equated with beauty, although as a philosophical discipline it mainly dealt with high culture, literature and the so-called fine arts. Modern aesthetics on the other side is today in a much broader context dealing with a visual image of everyday life and the so-called mass culture, which in addition to art also includes media, fashion, lifestyle, behavior and the importance of natural and artificial environment. Modern aesthetics among other things, also deals with the questions like the attitude towards the human body and bodily proportions, the importance of color, symbolism and importance of trademarks. Within modern cultures, colors have important role, as they can mean different things in different cultures. In Western cultures the color of mourning is black, in Buddhist cultures it is red, in India it is purple, and in some other places it is white. It is also interesting to monitor the attitude towards the human body over time. Thus for example within Western cultures in the Baroque era, women with lush and rounded curves were attractive. Today such women are often less desirable, due to the question of body weight.

7.) Material culture and living conditions: are reflected in relation to material goods and possession and consumption issues. It is directly related to the quality of life and the level of economic development in each society. It is shown in the basic economic, social, financial and commercial infrastructure, but especially in the buying habits and spending patterns of the consumers. The basic economic structure relates to transport, energy and communication systems. Social infrastructure relates to housing, health and education systems, while financial and market infrastructure represent banks and research companies.

In addition to these seven components, two additional components are becoming increasingly important dimensions within contemporary culture. One is (8) attitudes towards the environment and sustainable development, and the second one is (9) the issue of sexuality (Makovec Brenčič et al., 2009).

Culture intertwines with and relates to all aspects of our lives, and we can experience everywhere around us. Therefore, it has a deep influence on all aspects of human behavior

(Craig & Douglas, 2006). Hanson (1975) wondered if culture and behavior are connected, or if they are independent. He suggested that we should study culture in behavior and not in spite of it, since culture is involved in almost everything that people do, except the functioning of the body itself, which culture can also affect in some cases. According to Leung et al. (2005), the human mind is fluid and adaptive. It is not static and stable; therefore it is engaged in active, dynamic interaction with the environment. So there is a belief that studying culture is actually studying the full range of human behavior from a particular point of view (Hanson, 1975). Craig and Douglas (2006) also believed that it is becoming more and more important to study culture because of its universal influence on human behavior. But Arnett (2002) acknowledged that people can have multiple cultural identities; therefore, making it harder to allocate them to specific culture and recognize their behavior as part of a specific culture.

1.1.3.3 Levels of Culture

Contrary to the concept of layers, which are based on the degree of explicitness and implicitness, the concept of cultural levels refers to some sort of hierarchical order related to levels of social groups and their corresponding structures. To understand culture, one has to emphasize that culture occurs and refers to a different level and/or scope of social groups. Although the national level is usually the most popular, it also occurs on many other levels. According to Zagoršek (2007), the highest-order term is the so-called *transnational culture*, which crosses borders and is even broader than national culture, since it spans countries and nations. Such culture can connect peoples around the world. A second-order term is the so-called *national culture* and presents identity of a nation, which is not necessarily only inside one country, since people from a nation can live abroad as well. Third, is the so-called *industry culture* which concentrates on a culture inside specific industry, such as construction or tourism. This is a broader concept than a professional culture, because there can be multiple professions inside the industry. The fourth-order concept is *professional culture* where culture is dependent on a specific job like a banker, lawyer or a professor. Each of them come with their own slang, values, symbols and norms. Another one is *organizational culture* which occurs at the organizational or company level. People inside an organization or company adopt the culture and at the same time reinforce and change it. Zagoršek (2007) also mentions *subcultures* pertaining to some social groups, which are not part of the so-called mainstream or dominant culture. Examples of such cultures are Punk, Goth, Emo and many more. It is obvious that a person can be in multiple cultures, since for example he/she can live in one country, have a specific job and additionally be in a subculture. Therefore, in such cases we cannot speak about individual culture but of individual's personality (Makovec Brenčič et al., 2009). All these levels of culture affect how countries evolve and develop, and with continuous development, the culture itself changes (Inglehart & Baker, 2000).

1.2 Economic development

Development has many meanings, depending on the subjective view of the world according to Contreras (1999). However, the meaning of development is not only a product of an individual's perspective, but also contingent on a period in time. And in the last few decades, distant history has been frequently mentioned as one of the most important factors of the current economic development (Tabellini, 2010). Economic development refers to the level of progress of an economy. It can refer to a transition from an agriculture-based to an industry-based economy, introduction of new technologies and/or general improvement in standard of living. Mansell and Wehn (1998) state that since the Second World War, the term economic development has been understood to involve economic growth, especially the increase in per capita income and the achievement of standard of living equivalent to that of industrialized countries. Many academics like Thanawala (1990) and Malecki (1997) emphasize that economic development has to be differentiated from word economic growth, a phenomenon resulting from an overall rise in productivity and GDP, or GNP. However, it does not necessarily lead to improvements in the quality of life. As a key indicator of development, GDP is failing as a measurement of welfare. The benefits of better healthcare, sanitation, internet access and comforts of air-conditioning, or heating meant that GDP growth undoubtedly understated the true advance in living standards in the past (How to measure prosperity, 2016). When countries pursue the goal of economic growth, but neglect the social and environmental objectives, the results can be bad for human wellbeing (World Happiness Report, 2016b). In recent years, many countries have achieved growth, but sacrificed these social and environmental objectives. However, there is a two-way relationship between economic development and growth. It could also be said that economic growth is just one aspect of economic development and should not be neglected in any case. The terms have been separated only in the last few decades, although the term word economic development has been used in the western world for centuries (Mansell & Wehn, 1998).

But why do people care so much about economic development? Probably the main reason is that it usually improves well-being of people in a certain country (O'Sullivan & Sheffrin, 2003). Economic growth benefits human development, because households use their increased income to improve their standards and ways of living. Simultaneously, with increased spending and consumption, education, infrastructure and health systems also advance; which further improves their quality of life. Furthermore, increased private incomes also generate additional resources for healthcare, welfare and social services, enabling a certain degree of safety, equality and/or satisfaction for society. Therefore, societies with the help of institutions seek better well-being.

For example, according to Veblen (1994), economic development was actually driven by a cumulative causation based on institutional learning and collective experiences. Essentially, a nation's economic development is closely connected to its human capital and development. It usually involves improvements in indicators such as life expectancy, poverty rates, literacy rates, environmental quality, social justice and freedom (Schumpeter & Backhaus, 2003). We can say that the market is also a social concept and can be understood differently from the perspective of economic sociology (Nee & Swedberg, 2005). Economic sociologist Viviana Zelizer (2011) mentions that throughout history, human life has been measured in many ways, and very often handled as a commodity. One example is the historically infamous slave trade,

but more modern ones are, for example, life insurance and organ trade. According to Zelizer (2011, p. 31): "With life insurance, man and money, the sacred and the profane, were thrown together; the value of man became measurable by money".

Culture also has a profound impact on economic development. It partly explains economic performance of societies according to Williams (2007) through the construction of formal and informal institutions (as social game rules), and deeply influences the environment, consequently changing how countries and economies develop. Weber (1979) emphasized the importance of culture in influencing economic development. He tried to understand the way in which cultural rules defined social structures and affected social behavior. There are many other academics who stress the importance of culture on economic development, such as Williamson and Mathers (2010). They explain that culture is recognized as potentially very important for economic growth, and that it can also affect it through indirect channels, such as promoting the economic freedom. This is based on certain institutions in the country for example. And, just as culture affects economic development, so does economic development affect culture in a feedback-feedforward process of structuration. Modernization theorists from Daniel Bell to Karl Marx have stated that economic development brings persistent cultural changes, as emphasized also by Inglehart and Baker (2000). In the 20th century, some of the main events which affected global economic development were both world wars, advancement of different political and economic systems (like capitalism and communism), the proliferation of world trade and globalization, and the creation and reinforcement of different types of institutions (or a lack thereof).

1.3 Institutions

1.3.1 Defining institutions

Institutional theory in economics confronts the mainstream neoclassical economics of the early twentieth century, according to Williams (2007). Institutional theorists such as North (1990) and Williamson (1985) have found that culture is a very important feature of the institutional environment. North (1990) saw institutions as rules of the game that people obey in society and can be formal or informal. Nee (2005), as cited in Rašković (2015), goes beyond North's narrow definition and understanding of simple rule based-constraints and describes rules as just one of the elements of the institutions. He defines institutions as "*a dominant system of inter-related informal and formal elements – custom, shared beliefs, conventions, norms and rules – which actors orient their actions to when they pursue their interests*" (Nee, 2005, p. 55). According to Granovetter (1992, p. 7), institutions are "*congealed networks*" and are characterized by "*mobilization of resources for collective action*". While Granovetter and Swedberg (2001, p. 8) see institutions as "*social constructions*" grounded in and constructed by actor relationships, Mandják (2003, p. 10) also perceives, for example, business relationships themselves as "*real institutions*".

Social science does not provide a uniform conceptual, theoretical and analytical framework for studying institutions in full spectrum (Nee & Swedberg, 2005). It seems that what comprises

institutions is not generalizable and depends mostly on the researcher and the kind of research being conducted (Parto, 2005). There are many, apparently alternative definitions of the term institutions, making the concept harder to understand and explore. Nevertheless, components of institutions can be observed and characterized, and institutions can be organized into many categories and types. For example, they can be *formal* (courts), or *informal* (customs). They can also be *less tangible* (beliefs), or *more tangible* (government). Parto (2005) explains that institutions can be observed at three different levels: *individual*, *organizational* and *societal*. The behavior of individuals is directed by rules, laws, beliefs and/or values and norms. Organizational rules and norms define the behavior of individuals inside their organization's environment and in relation to others. Societal rules are expected to be obeyed by all organizations and firms, while dealing with each other. Although there is a lot of information on institutions, it is still very hard to conduct an institutional analysis, due to the great number and variety of definitions (Parto, 2005).

Williams (2007) and Scott (2001) define institutions as socially constructed structures. Williams (2007) believes that institutions can be embodied/represented by companies, markets, government and/or non-government organizations; as well as community norms of behavior and much more. Hanson (1975) defined institutional questions of the human behavior as questions about norms, beliefs, symbols, social relationships and other institutions, which are expressed through behavior. These questions are not about people, but about institutions and their organization. Alesina and Giuliano (2013) explain that there is a mutual feedback effect between culture and institutions, and that they co-evolve in complementary ways. Giddens (1984) sees this as a feedback-feedforward process, and calls it structuration in his theory of structuration. Within his theory, purposeful actors act according to social structures and institutions, reinforce them, as well as construct them. They also change them through their behavior in a continuous and dynamic feedback-feedforward process.

In the context of social exchange, culture can even be seen as an institution just like companies and markets are seen as institutions in a certain way according to Williams (2007). The reason for that is because institutions are socially constructed structures that regularize behavior through a combination of obligation, coercion and shared understanding (Scott, 2001). Activities get institutionalized as a result of repeated patterns of behavior that induce shared meaning between group members (Berger & Luckmann, 1967).

In Tropmenaars's (1993) attempt to understand and study culture, he observes a multi-layered social process in which institutions are a vital part. In the area of business and organizational sciences, most of the authors describe seven components of culture (Makovec Brenčič et al., 2009), which I have already described in previous sections. The majority of them include institutions as one of them. Hrastelj (2003), for example, defines one component as social organizations and institutions. He explains that they consist of various institutional aspects of everyday life, the distribution of social functions, methods and reasons for connecting people, to realize their common needs which belong to certain reference groups. From these groups, they expect and accept behavioral guidelines. There are groups that people belong or want to belong to, and groups that people want to differ from. In societies there can also be different categories and classes (like the caste system in India).

1.3.2 Institutions and development

Institutions can vary significantly across countries and regions in the world, and are often taken as an important factor in their economic development. Such an example is WEF's global competitiveness methodology which takes institutions and their efficiency, as one of the 12 pillars of country competitiveness. Institutions are also inseparable from the geopolitical context of economic activity according to Parto (2005). Current institutions are strongly influenced by historical ones which have shaped them and played a vital part in the development of countries (Tabellini, 2010; Scott, 2001). North (1990) has inquired why poorer performing economies simply do not implement the acknowledged institutions that bring prosperity to developed countries. He found the answer to be the importance and divergence of culture which influences the implementation and enforcement of institutions, since no institution is equally implemented and effective across various cultural contexts. Feldmann (2004) insists that institutions that emerged in the western world in the last few centuries were the main reason for the rise in prosperity and population. As the most important for today's development, he lists three fundamental guidelines in western cultures. The first one is the individual freedom of every person. The second one is a strong rule of law and the third one are decentralized and very limited state actions. Institutions usually influence laws and regulations in a specific country. These laws and regulations have a major impact on flow of products, capital and labor across borders. Therefore, it can be very useful to look at specific nations when doing an analysis regarding culture and institutions (Leung et al., 2010). It is actually hard to analyze such institutions differently, due to their possible absence in neighboring countries, especially focusing on political institutions.

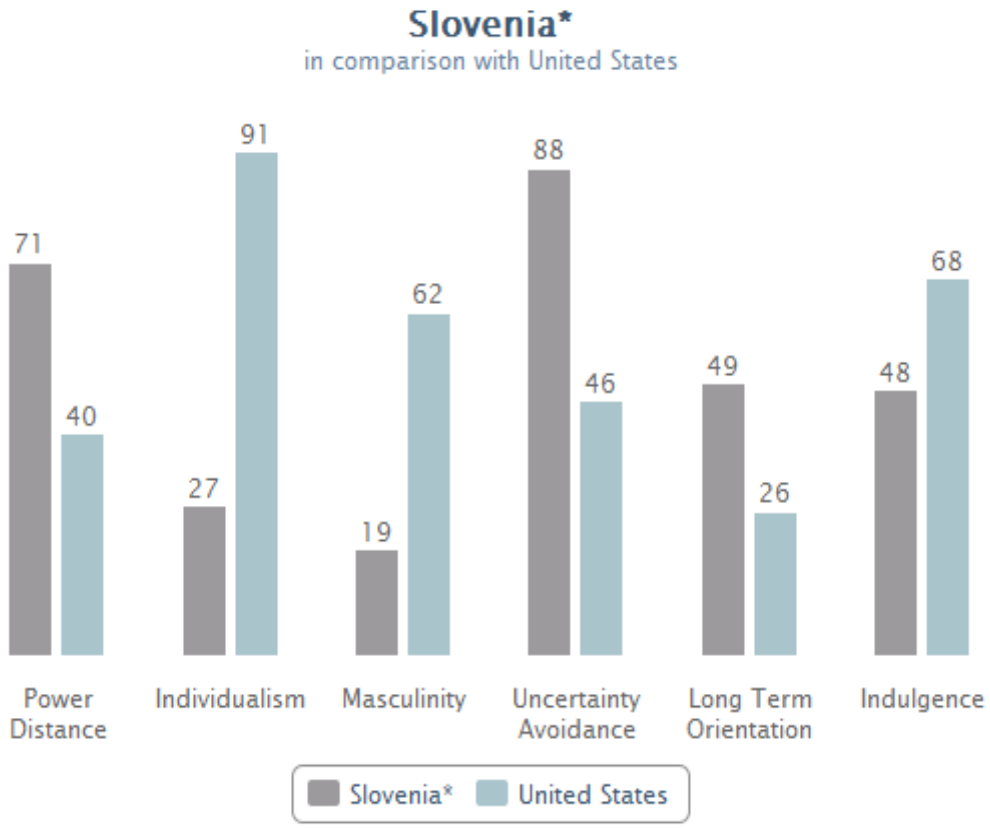
Feldmann (2004) gives the western world, as a good example of place with successful institutions which brought prosperity and promoted economic development. He mentions imperial China in the 15th century, as a terrible model. Until then, China was technologically ahead of Western Europe, but centralist and totalitarian rule of the emperor restricted individual freedom, private enterprises, private property and open markets, which led Chinese territories into economic decline (Landes, 1998). Another example provided by Feldmann (1997) are socialist countries of the 20th century, which mostly failed to achieve a similar level of economic development, as other Western countries. He saw the main reason in the communist leaders' abolishment of western institutions and the creation of new ones, which proved to have functional deficiencies and actually created so-called *institutional voids* (lack of specific institutions). These institutional voids have proved to play an important role in firms' strategic decisions in emerging markets (Khanna & Palepu, 1997). Every firm deals with these voids in their own way, and there is currently little general knowledge on how to operate in markets with such voids. Cultural adaptation might ease the problems, but the most likely cure is the improvement of institutions and institutional environments, which is, however, a more painstaking and gradual process.

1.4 Hofstede and other influential researchers of culture

1.4.1 Geert Hofstede's work

Geert Hofstede was not the first to conduct cross-cultural comparative research, but according to Tung and Verbeke (2010), his work managed to put cross-cultural analysis at the forefront of international business research and made him extremely popular in international business studies. Thus, it is not surprising that Hofstede himself proclaimed that: "*The business of international business is culture*" (Hofstede, 1994, p. 1). According to Harzing's Publish or Perish citation index, by 2010, there were more than 54,000 citations of his work, affirming Hofstede's influence on cross-cultural academic research. One of his most prominent studies was carried out between 1967 and 1971, when he conducted research among 116,000 middle-management IBM employees in 50 countries. First, he made a four-dimensional model of national culture using theoretical reasoning and country-level factor analysis (Hofstede, 2001). Later, he expanded it to five- and six-dimensional models of national culture (The Hofstede Centre, 2016), which I describe in the next sections. Figure 2 shows Hofstede's six cultural scores for Slovenia and USA, as an illustration of his six-dimensional culture model.

Figure 2. Hofstede's six cultural scores for Slovenia and USA



Source: The Hofstede Centre, *Slovenia*, 2016.

1.4.1.1 Power Distance Index (PDI)

Is the extent to which less powerful members of society accept and expect power to be distributed unequally among people, organizations and institutions. A fundamental issue here is how society handles *inequality* between people. A high level of PDI demonstrates hierarchical order in which everyone is aware of their place in society and needs no further justification. The countries and companies with high PDI tend to be more centralized and hierarchical. In societies with low levels of PDI, people try to achieve equality and fair distribution of power among them. They want justifications for inequalities of power (The Hofstede Centre, 2016).

1.4.1.2 Individualism versus Collectivism (IDV)

On one side of this dimension is individualism, by which individuals take care only of themselves and their closest family. On the opposite side, collectivism, individuals can expect of their relatives or members of a particular in-group to look after them in exchange for complete loyalty. In collectivist societies, children learn to think of themselves like "we" and not "I" and can always expect help from the group, but must be completely loyal to it and help others inside the group as well (The Hofstede Centre, 2016).

1.4.1.3 Masculinity versus Femininity (MAS)

The masculinity side represents a preference in society for male values, like assertiveness, heroism, achievement and material rewards for success, where society at large is very competitive. Femininity on the other hand, stands for a preference for feminine values, like modesty, cooperation, relationships, quality of life and caring for the weak. In business context, this dimension is sometimes related to "*tough versus tender*" cultures (The hofstede centre, 2016).

1.4.1.4 Uncertainty Avoidance (UAI)

This expresses the degree to which members of society feel uncomfortable with ambiguity and uncertainty. The main question here is if society wants to control the future or just let it happen, since the future can never be known for sure. Countries showing strong UAI maintain rigid codes of belief and behavior and do not allow unusual behavior and ideas. People in such country prefer structured situations. Societies with weak UAI have a more relaxed, flexible attitude in which practice counts more than principles. They believe that different is exciting and not dangerous like societies with high UAI believe (The Hofstede Centre, 2016).

1.4.1.5 Long-Term Orientation versus Short-Term Orientation (LTO)

Societies have to maintain connection with their past while dealing with the challenges of the present and the future. Societies which score high take a pragmatic approach, where they encourage changes and modern education in a way to prepare them for the future. Those which score low on the LTO dimension prefer to maintain long-honored traditions and norms, while viewing change in society with suspicion (The Hofstede Centre, 2016).

1.4.1.6 Indulgence versus Restraint (IND)

Indulgence stands for a society that allows relatively free gratification of basic and natural human drives related to having fun and enjoying life. It favors present individual-based hedonism over long-term restrain to the benefit of the collective. Restraint stands for a society that holds back gratification of needs and controls it strictly by firm social norms to the benefit of the group over the individual (The hofstede centre, 2016).

1.4.2 Criticism of Hofstede's work

There are many critics of Hofstede, as well. Zagoršek (2004) explains that different academics found deficiencies in sampling, questionnaire design, methods, administration, weaknesses in the model and questionable validity of the underlying assumptions. There might be some quality problems with the data from the scores for the cultural distance dimensions in Hofstede's work, according to Tung and Verbeke (2010). One of the bigger problems is that data was collected only from employees of a single multinational firm with a particular organizational culture. McSweeney (2002) detected that only in six countries, samples were larger than 1,000 respondents, and in many countries, they were smaller than 100. Therefore, samples might be too small for a proper statistical analysis. He claims that extreme, singular theories such as Hofstede's are profoundly problematic and that there is actually limited characterization of culture. Gould and Grein (2008) also criticized putting culture in national groups due to its simplification and inaccuracy. Hofstede equates nations with culture, and in his work, culture is the only cause of the differences found. Zagoršek (2004) observed there are many additional problems, like the lack of cross-cultural considerations, questionable psychometric properties, questionable face validity, inappropriate labeling, bi-polar dimensions and others. But most interestingly, Hofstede alone admitted that many people misuse his country scores due to unawareness of its weaknesses and deficiencies. He stated that some carry the concepts further than he considers wise and that at times his supporters worry him more than his critics (Hofstede, 2001). Despite these criticisms, Hofstede's cultural framework remains one of the most frequently used cultural frameworks in organizational and cultural studies to date and has importantly paved the way for many subsequent works.

1.4.3 The GLOBE project

The GLOBE project (Global Leadership and Organizational Behavior Effectiveness) led by American professor Robert J. House and his research team is also one of the most extensive cross-cultural researches in the world (Makovec Brenčič et al., 2009). The project is based on the work of Hofstede and upgrades his original theoretical framework, concentrating on national and organizational culture, also extending it to leadership (House et al., 1999). Unlike Hofstede, the GLOBE project concentrates on nine dimensions, including two different types of individualism (in-group and institutional). The nine dimensions are: power distance, uncertainty avoidance, humane orientation, collectivism I (in-group collectivisim), collectivism II (between group collectivism and institutional collectivism), assertiveness, gender egalitarianism, future orientation and performance orientation. Project GLOBE is also the only typology which distinguishes between *values* (as things should be) and *practices* (as they are). Unfortunately, GLOBE project is not applicable for this thesis, because not all of the OECD countries are included in the research – in only encompasses 62 countries. Therefore, data for some countries like Belgium, Chile and Estonia is unavailable (Hofstede, 2006). This is one of the most major limitations to GLOBE project to date.

1.4.4 Edward T. Hall's contribution

Table 1. Hall's high- vs. low-context continuum

	Low-Context	High-Context
Example Countries	US, UK, Canada, Germany, Denmark, Norway	Japan, China, Egypt, Saudi Arabia, France, Italy, Spain
Business Outlook	Competitive	Cooperative
Work Ethic	Task-oriented	Relationship-oriented
Work Style	Individualistic	Team-oriented
Employee Desires	Individual achievement	Team achievement
Relationships	Many, looser, short-term	Fewer, tighter, long-term
Decision Process	Logical, linear, rule-oriented	Intuitive, relational
Communication	Verbal over Non-verbal	Non-verbal over Verbal
Planning Horizons	More explicit, written, formal	More implicit, oral, informal
Sense of Time	Present/Future-oriented	Deep respect for the past
View of Change	Change over tradition	Tradition over change
Knowledge	Explicit, conscious	Implicit, not fully conscious
Learning	Knowledge is transferable (above the waterline)	Knowledge is situational (below the waterline)

Source: Based on E. Hall, *Beyond Culture*, 1976

Another influential cross-cultural researcher is the American anthropologist Edward T. Hall, who in 1960 studied and compared culture according to differences in *context*; particularly in terms of communication (Makovec Brenčič et al., 2009). He generally distinguished between so-called *low-context* and *high-context* cultures. The concept of cultural context is according to Hall's opinion related to differences in communication and how people use messages to express themselves. In low-context cultures the message is explicit. In high-context cultures, many things are left unsaid and are implicit (Hall, 1976). High-context cultures are more often from Asia, Latin America and Southern Europe, while low-context cultures are regularly seen in Northern Europe and North America. Table 1 summarizes the key differences between high- and low-context cultures according to Hall's (1976) framework.

1.4.5 Shalom H. Schwartz's contribution

Schwartz focused on the study of values, as one of the core components of culture. He developed a typology of seven different fundamental national values, which differ significantly among different countries and their cultures (Schwartz, 1994). These are: *embeddedness, hierarchy, mastery, affective autonomy, intellectual autonomy, egalitarianism* and *harmony*.

Figure 3. Schwartz's typology of national values

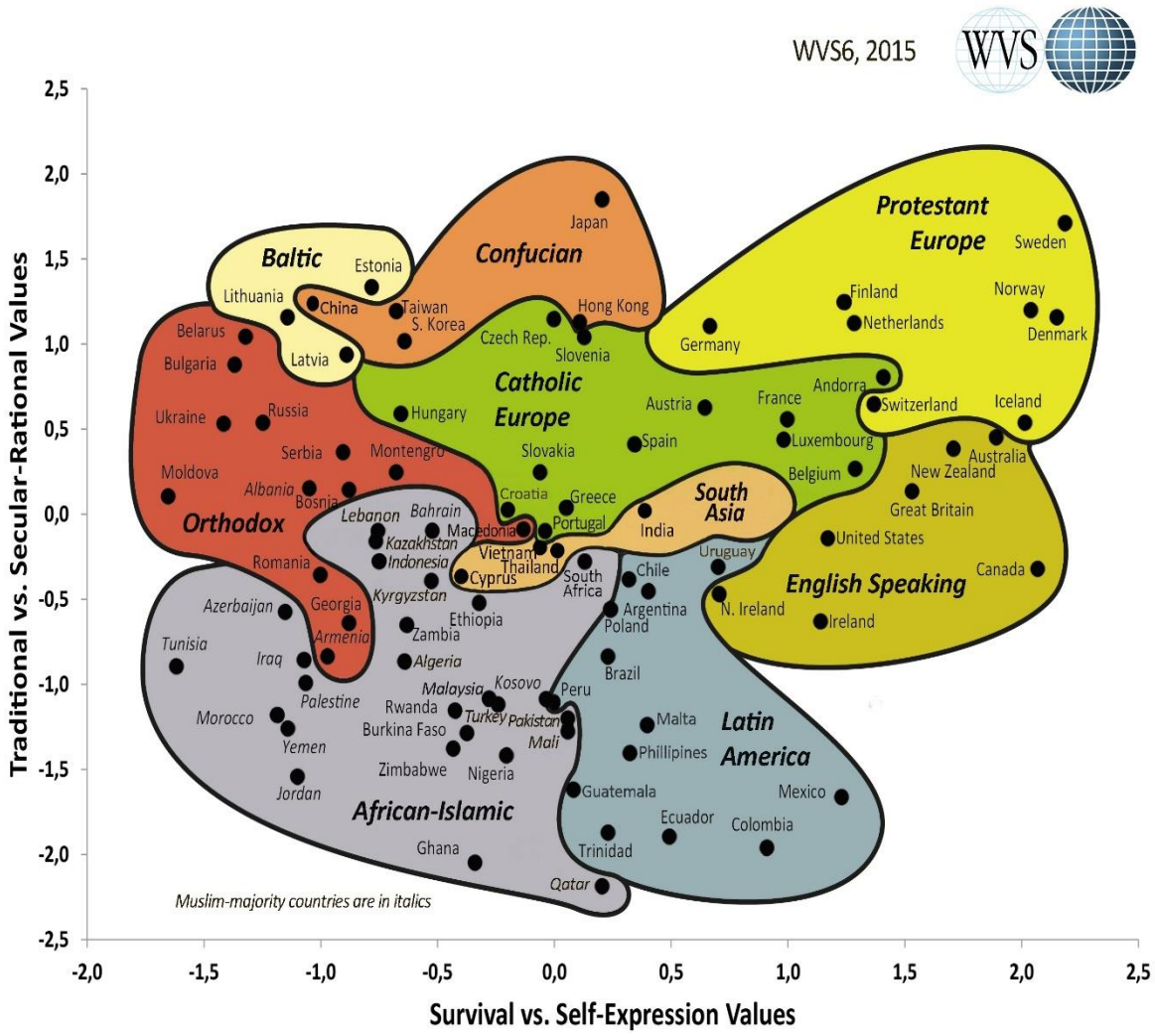
Source: Based on S.H. Schwartz, *Beyond individualism/collectivism: New cultural dimensions of values*, 1994

Embeddedness focuses on retaining tradition and avoiding change. In a hierarchical culture, some people have superior positions, while some have inferior. That is widely accepted among the population. In a mastery culture, individual seeks to improve himself through personal action. That requires traits like ambition, courage, competence and independence. In affective autonomy, people independently seek pleasure and enjoyment. In intellectual autonomy, people independently seek knowledge and wisdom and are pursuing new ideas. In egalitarian culture, people are concerned with others and everyone is considered to be equal. In harmony culture, people are happy with their place in the world and do not seek to individually improve themselves, but put greater emphasis on the group. Schwartz (1994) concluded that Western European countries are quite similar in terms of their levels of egalitarianism and intellectual autonomy, while East and South East Asian countries are similar when it comes to hierarchy. The Middle East scored higher on embeddedness. Figure 3 shows cultural clusters based on Schwartz's typology of seven national values.

1.4.6 World Values Survey

Ronald F. Inglehart is another outstanding academic, and director of the World Values Survey (WVS). WVS is a famous global network of social scientists primarily researching culture (Makovec Brenčič et al., 2009). WVS has carried national surveys in more than 80 societies across six continents. Inglehart (1997) developed a simple two-dimensional comparison of national cultural values. The first dimension pertains to the issue of *traditional vs. secular values*. Traditional values emphasize the importance of family ties, religion, absolute standards and authority, while secular values are quite the opposite. In secular societies, they embrace science and more freedom. The second dimension highlights the issue of *survival vs. self-expression*. Survival values emphasize economic and physical security. On the other hand, self-expression is more about quality of life and subjective well-being and is often connected with democracy. Countries which are closer to self-expression are more tolerant and trustful.

Figure 4. Inglehart-Welzel cultural map of the world based on the World Values Survey framework



Source: World Values Survey, *Findings and Insights*, 2016

Together with Christian Welzel, Inglehart created a cultural map of the world based on his comparison of national cultural values in which they also importantly included the wealth of countries. Thus, in a way most directly linking culture to economic development. They divided countries into nine clusters, namely: *English speaking*, *Protestant Europe*, *Catholic Europe*, *Orthodox*, *Confucian*, *South Asia*, *Latin America*, *African - Islamic*, and *Baltic* cluster. There is another map which includes wealth of the countries and has these 9 clusters divided a bit differently. This other version is represented in Figure 6. It is explained and employed later in this work. The wealth of countries can also be used to approximately assign them to different economic (development) clusters. Figure 4 shows the cultural map of the world according to Inglehart and Welzel.

So far, I have defined culture and studied its layers, components and typologies. I have described the most influential researchers of culture and their contributions, as well as their critics. I have also started researching the connection between culture, globalization and economic development. In the next chapter, I will continue with this research and include the importance and impact of OECD (Organization for Economic Co-operation and Development).

2 OECD AND CULTURAL CLUSTERS

2.1 OECD

2.1.1 OECD history and members

The OECD, (Organization for Economic Co-operation and Development) is an international intergovernmental organization headquartered in Paris, France (Judge, 1970). It was founded in 1961 to stimulate economic progress and world trade (OECD, 2016a). The organization descended from the OEEC (Organization for European Economic Co-operation) which had 18 members and was established in 1948 to help implement the Marshall Plan for economic recovery of European countries after the Second World War (OECD, 1972). Later, the OECD extended and offered membership to non-European countries, as well.

Members of the organization have pledged to improve and spread democracy and market economy in order to improve the well-being of people across the globe (OECD, 2016a). Most of the OECD countries are very developed, high-income economies with very high human development index scores (OECD, 2016a). Countries which are members of the organization include (in alphabetic order): Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Latvia, South Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom and United States (OECD, 2016b). In the research of this thesis I do not include Latvia, whose accession to the OECD occurred in July 2016 when this thesis was already partially written. There are also some other countries currently in accession talks. These include: Colombia, Lithuania and Costa Rica. Very valuable to the organization are also countries like Brazil, India, Indonesia, China and South Africa which are their key partners

(OECD, 2016b). But almost all of the big non-member countries also cooperate with the organization at some level (The tents of the righteous, 2011).

2.1.2 OECD objectives

The OECD can be defined as a forum of countries which seeks answers to general problems and issues in the fields of economics, environment, and social sciences (OECD, 2016a). Similarly to the United Nations (UN) (1986), they believe that every human person and all people are entitled to participate in, and enjoy economic, political, social and cultural development in which human rights and fundamental freedoms can be truly considered and fulfilled. It is obvious that they use many objectives to try and achieve this and solve specific problems. While priority is often given to OECD members in many of their actions, some actions are also devoted to benefits of other countries which are not (yet) members (OECD, 2016a).

2.1.2.1 Growth policies

One of the main objectives of the OECD is that it encourages policies modeled to attain high levels of *sustainable* economic growth and employment while maintaining financial stability. This will consequently raise the standard of living and therefore contribute to the development of the world (OECD, 2016a). These policies are usually closely connected to higher levels of economic freedom, which promotes performance of countries and their entrepreneurial spirit. This freedom leads to higher growth rates in the standard of living, as well (Cebula, Rossi & Clark, 2016). The organization believes that global growth currently remains elusive and that growth in 2016 will be no higher than in 2015, with 2017 having slightly better results (Global Economic Outlook and Interim Economic Outlook - OECD, 2016). In 2015, growth was already disappointing, largely due to poor performance by emerging rather than developed economies (Naughty, not nice, 2015). The main reasons for such abysmal country performance were weak trade, investment and commodity prices, overall low global demand, Chinese economic slowdown, low inflation and poor wage growth. Therefore, the economies will need additional stimulus and stronger collective policy response by the opinion of the OECD (Global Economic Outlook and Interim Economic Outlook - OECD, 2016).

2.1.2.2 Economic development

The OECD also strives for faster and sustainable economic development in member and non-member countries (OECD, 2016a). The OECD's goal is to meet the needs of today, without reducing the chances for future generations to meet their needs tomorrow (OECD, 2001). With the emphasis on sustainable development, the OECD member states are coordinating and stimulating different environmental policies. These policies encourage the development of innovative technologies which tend to reduce pollution and the effects of climate change (OECD, 2010).

2.1.2.3 Trade

Another important objective of the OECD is to promote trade between countries in a mutually beneficial, multilateral and nondiscriminatory way (OECD, 2016a). Nondiscrimination means that a country should not discriminate between its trading partners and between its own and foreign products, or services (WTO, 2016b). In this area, OECD is collaborating with the World Trade Organization (WTO), which has very similar attitudes and principles. WTO is a global international organization which deals with the rules of trading between countries and tries to stimulate trade. Decisions on trade are made by member governments which negotiate on the rules of the organization (WTO, 2016a). They support the lowering of the trade barriers and consequently encouraging and increasing trade flows and foreign direct investment. They also strive for competitiveness and discourage unfair trade practices (WTO, 2016b).

But unlike in theory, in practice, such trade practices are not always beneficial for all partakers. There is dissatisfaction between some members of trade agreements on the scope and nature of the rules that guide their global trading activities (Ezeani, 2013). There is often inefficiency of the system that attempts to regulate international trade. Still, OECD strives for increase and liberalization of trade. Advantages and disadvantages of free trade are usually explained with Ricardo's theory of comparative advantage (Ricardo, 1895).

Harvard Economics professor Greg Mankiw (2006) explains that the open world trade increases economic growth and improves standard of living worldwide. He emphasizes that few other propositions in the world attract such positive opinion and consensus among academics and professional economists. Although it does create winners and losers, free trade is believed to be an unambiguous net gain for the society in contrast with protectionism. The OECD mostly supports the idea of free trade, but there are some academics who oppose it due to its deficiencies and possible exploitation which hurts mostly developing and less developed countries. Major critiques of the free trade are some socialists like Marx (1848), who saw it as exploitation and proclaimed that its only benefit is potentially initiating a revolution, and anti-globalization groups who claim that it makes working class and poorer population worse off (Steingard & Fitzgibbons, 1995). In the last few decades, the fair trade movement has become very famous as an alternative to free trade and the WTO organization. Its goal is to help developing countries reach better trading conditions, mostly by securing the rights of producers and workers in these countries, to promote egalitarianism and sustainability (WFTO, 2016; Gibbon & Śliwa, 2012).

2.1.2.4 Aid

Not only trade, but also aid is an important part of OECD policies to stimulate development. The OECD's Development Assistance Committee (DAC) discusses issues surrounding aid, poverty reduction and development in developing countries. It is a forum for coordination of aid efforts (Development Co-operation Directorate (DCD-DAC) - OECD, 2016). Especially a lot of aid goes to the African continent where countries are relatively poorer than anywhere else in the world. There were and still are different attempts to try and find a cure, similar to

Marshall's Plan which would spearhead growth and development in Africa, like it did in post war Europe (Babaci-Wilhite, Geo-JaJa & Shizhou, 2013). Unfortunately, there are many issues with aid programs for African countries and they often prove to be relatively unsuccessful. Babaci-Wilhite, Geo-JaJa and Shizhou (2013) argue, that the OECD's effectiveness and successes in that area are hard to measure and identify since aid to recipients is bundled in complex strategic self-interest and rigid rules. They offer Beijing Consensus as an alternative to Washington consensus which is promoted by the OECD, due to positive effects of non-interference and political sovereignty. Nevertheless, the OECD is seen as a traditional donor and has an important role in delivering aid to developing countries. And therefore it is trying to alleviate poverty, promote social and economic development, attain higher levels of freedom and improve standards of living.

2.1.2.5 Tax practices

In recent years, the OECD has also been very active in the fight against harmful tax practices and tax havens, and is leading several tax cooperation and coordination missions (OECD, 2016a). Tax havens have become infamous in the globalized world, where their activities in the environment disguise illegal monetary flows among legitimate commercial transactions (Christensen, 2011). They undermine the efficiency of global markets by creating an asymmetric supply of legal and economic information. Governments allow the creation of these havens for their own purposes (Batra, 1987). Only due to the powerful political allies who protect them do tax havens survive and stimulate corruption, fraud and embezzlement (Christensen, 2011). One of the best possible solutions for this problem is the strengthening of international cooperation and institutions which can enforce such changes. According to Christensen (2011), the USA and UK are notably the major players which try to show commitment to globalization, free trade and fight against illegal practices, but in reality both are leading tax haven states which desire trade on their own terms.

USA hypocritically forces other countries to join the transparency revolution, but it is one of the most secretive jurisdictions in the world (The mega-haven, 2015; The biggest loophole of all, 2016). The main barrier to this in OECD countries is the lack of the political will of some governments. Christensen and Spencer (2008, p.13) mentioned that there has been remarkably little success in tackling harmful tax competition in an OECD-led project which started in 1998 and seeks to battle it with increased transparency and improved information exchange between the countries. But according to the article in The Economist, there has been greater transparency since 2013, and things might be improving in most of the world (The mega-haven, 2015).

2.1.2.6 Publishing knowledge

The OECD also publishes different reports, books, working papers, statistics and reference materials which are world renowned and highly regarded (OECD, 2016a). Much of the material is free, enabling people to have access to free information. They want it to be accessible to everyone for education, possible further studies and research. One of the main reasons why OECD countries have been chosen for this thesis is due to the manageable number of the

countries in the group (34) and the availability of data about them. According to Tung and Verbeke (2010), Franke and Richey argue that in order to have credible results in international business, a minimum of 7-10 countries must be analyzed. Researchers should not formulate big conclusions about the impact of cultural dimensions regarding economic or any other kind of performance based on a small number of studied countries. Such information can be very inaccurate due to so-called diminutive samples (Tung & Verbeke, 2010).

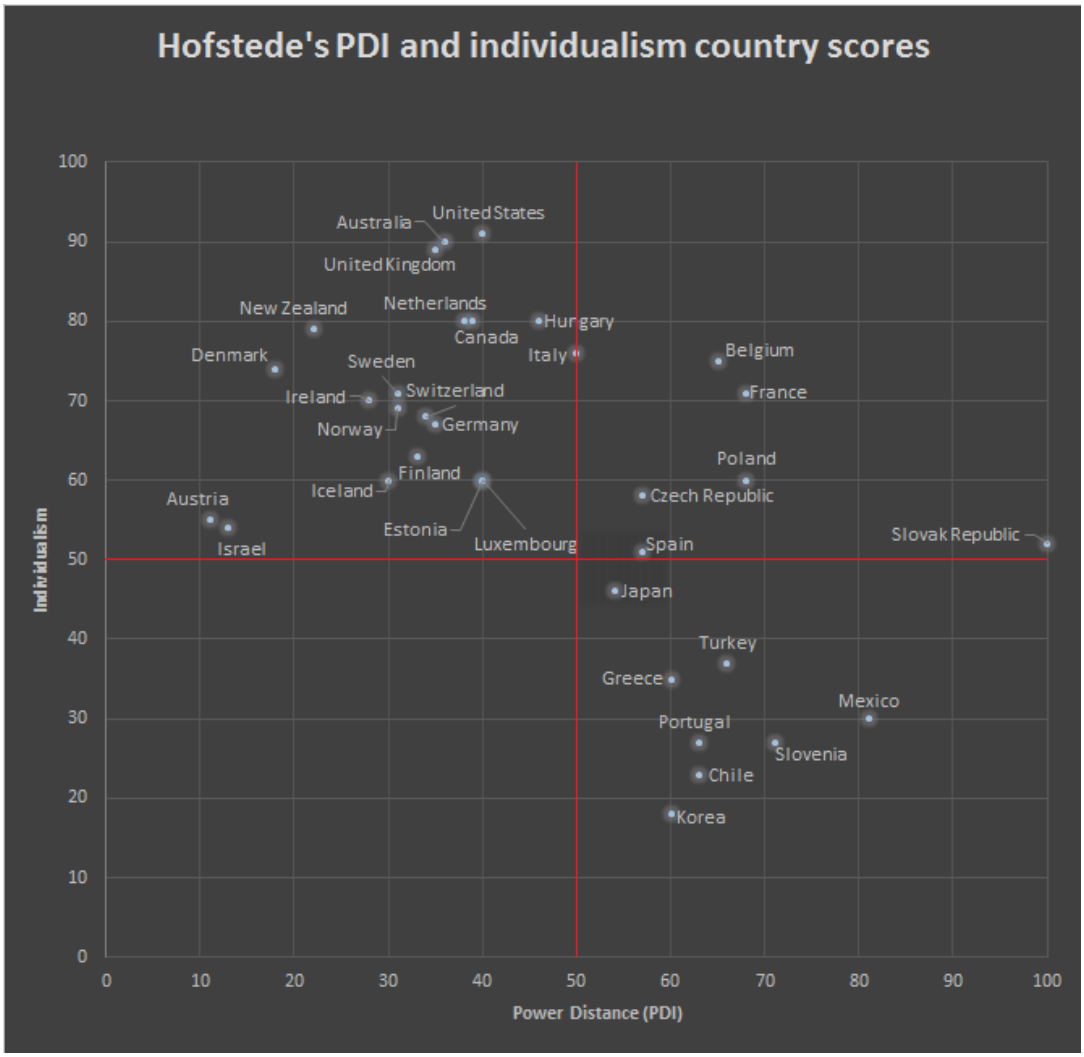
2.2 Cultural clusters among OECD member countries

So far, only few models have been introduced for systematic comparison of cultures (Zagoršek, 2004). All the models follow a specific approach and try to identify various dimensions of culture, relevant to different publics. For example, the cultural distance dimensions refer to national societal values on which countries or societies differentiate (Tung & Verbeke, 2010). This information is additionally supported by Schwartz's value survey (1994), Inglehart (Inglehart, 1997), the GLOBE Project and Hofstede's cultural characteristics, as outlined by Tung and Verbeke (2010). Different measures by these academics enable us to use operational parameters as proxies for cultural dimensions and provide score estimates which can then be used for evaluation on how nations differ on cultural dimensions. These dimensions reflect basic problems. or issues which societies are confronting in the modern world to regulate human activity (Schwartz, 1999). That is how cultures can be ranked on these dimensions and then inspected, compared and evaluated. Zagoršek (2004) mentions that specific cultural dimensions in such typologies differ from author to author, but that there is a significant convergence and/or overlap between them. These dimensions are very useful for researchers, because they provide a kind of mapping of the nations in the world (Smith & Schwartz, 1997). In this thesis, I will use such mappings to put OECD countries into cultural clusters, which will make it easier to investigate cultural biases, based on their overlap with cultural clusters.

2.2.1 Clusters based on Hofstede's typology

One such mapping can be created based on Hofstede's research and his analysis of national cultures. Hofstede's study was more thoroughly explained in chapter 1.4.1 in this thesis. As mentioned before, Hofstede's scores can be used to compare countries in different ways. Some of Hofstede's most used dimensions of culture are Power Distance (PDI) and Individualism/Collectivism, which I will also use to create cultural clusters. I have chosen PDI and Individualism dimensions, due to their relevance to culture and behavior, as they most closely relate to questions of economic activity organization and coordination. PDI explains how less powerful members of society accept and expect power to be distributed unequally among the population. It measures how society handles inequality, where high PDI demonstrates hierarchical order. Individualism scores explain if people in countries are more inclined to only take care of themselves and their closest families, or if broader families and certain groups take care of each other. High score on Individualism means that people are very individualistic. Figure 5 shows the mapping of OECD member countries according to Power Distance index and Individualism scores based on Hofstede's cultural typology.

Figure 5. Country clusters based on Hofstede's PDI and Individualism scores



Source: Based on: The Hofstede Centre, *Dimensions – Geert Hofstede*, 2016

I have used the chart above to create four cultural clusters. The first cluster includes countries which scored high on Individualism, but low on PDI, meaning that they scored above 50 on Individualism and 50 or less on PDI. This cluster consists of 20 countries, which are: Austria, Australia, Canada, Denmark, Estonia, Finland, Germany, Hungary, Iceland, Ireland, Israel, Italy, Luxembourg, Netherlands, New Zealand, Norway, Sweden, Switzerland, United Kingdom and United States.

The second cluster includes countries which scored high (above 50) on both Individualism and PDI. There are six such countries. They are: Belgium, Czech Republic, France, Poland, Slovak Republic and Spain. The third cluster is made of countries with high PDI but low Individualism scores. This cluster includes eight countries, which are: Chile, Greece, Japan, Mexico, Portugal, Slovenia, South Korea and Turkey. The fourth cluster is made of countries with low PDI and Individualism scores. There are no such countries among OECD members and therefore this cluster is irrelevant for the thesis. The first three clusters are very useful for further research and analysis in Chapter 4.

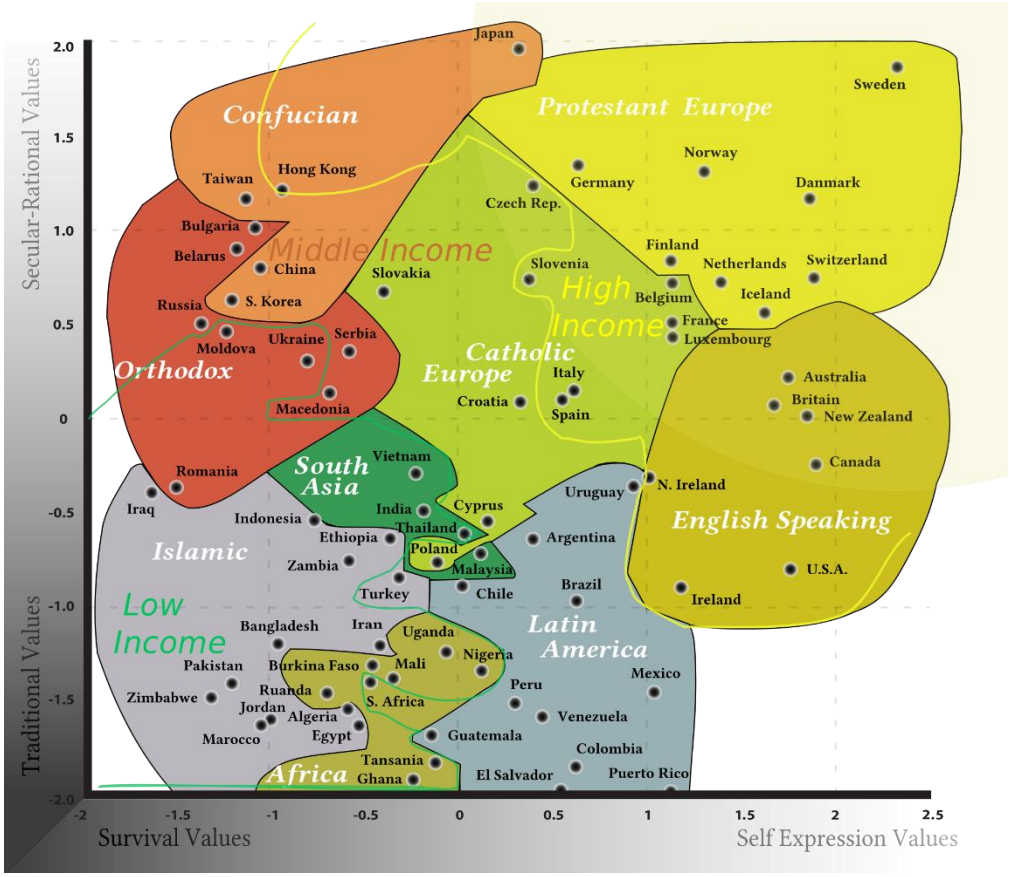
As mentioned the cutoff value that I used for Hofstede's cultural clusters is 50 for both PDI and Individualism. But the median score for OECD countries is different for both indicators. PDI median for OECD member states is 40 and Individualism median is 62 as seen in Appendix D. These numbers obviously deviate from original cutoff value. Therefore I decided to compare the original Hofstede's clusters described in thesis with the new clusters adjusted by the median values. In the new clusters, adjusted by the median values the situation is quite different. There are 13 countries in the first cluster instead of 20. Countries in this cluster have PDI of 40 or less and Individualism 62 or more. Countries in the second cluster have PDI above 40 and have Individualism 62 or more. There are four such countries instead of six. In the third cluster we can find 12 countries instead of eight. They have PDI above 40 and Individualism below 62. In the last cluster there we no countries in the previous version, but now there are four countries. These have PDI scores up to 40 and Individualism scores up to 62. The analysis would undoubtedly be different if I used the median cutoff values for Hofstede's clusters as shown in Appendix D.

2.2.2 Welzel and Inglehart's typology clusters

Inglehart's (1997) two-dimensional mapping of national cultural values was also chosen, as it is suitable for this work. The map has been explained in more detail in chapter 1.4.6 in this thesis. It allows me to compare countries in both cultural and economic clusters. Welzel and Inglehart (2010) created nine cultural clusters, namely: *English speaking*, *Protestant Europe*, *Catholic Europe*, *Orthodox*, *Confucian*, *South Asian*, *Latin America*, *Islamic*, and *African*. This is shown in Figure 6, which shows the cultural map of the world according to Welzel and Inglehart, but also includes the approximation of wealth in countries and allows formation of economic clusters. It differs from the information in Figure 4. The names of the clusters are different, and countries are separated in low-income, middle-income and high-income clusters as well. Poorer nations are located closer to the bottom of both axes, while richer nations are at the top. There is also less countries on this map. For this work, I use only information of the OECD member states.

This second cultural map in Figure 6 is missing the information for a few countries which are also members of the OECD. The missing countries include: Austria, Estonia, Greece, Hungary, Israel and Portugal. Some of the missing countries can be found in Figure 4 and allocated appropriately to their cultural clusters. Israel is, however, the only country which cannot be allocated and is very hard to put it in a specific cultural cluster. But for the economic clusters, there is no data for these six countries, and I had to assign them personally. Austria is located in the cluster Catholic Europe and is a high-income country. Estonia and Greece are middle-income Orthodox countries, while Hungary and Portugal are middle-income Catholic Europe countries. Israel is the hardest country to allocate, due to the religion and location of their country. According to the map in Figure 6, I allocate the country to high-income Catholic Europe country, although Israel is not located in Europe and is not a Catholic country. But it has deep ties with Europe and is culturally more similar to it than to the other groups.

Figure 6. Inglehart-Welzel cultural map of the world with countries separated in economic clusters as well, based on the World Values Survey framework



Source: World Values Survey, *Findings and Insights*, 2016

Most of the clusters are named based on region and religion. The map can occasionally seem chaotic and inaccurate. If we compare historical and current religions of the countries, we can see that not all of the countries are allocated properly. Countries like Germany, the Netherlands and Switzerland had some protestant influence in the past, but were through most of the history closer to Catholicism than Protestantism. There are also some anomalies in the income of countries in Figure 6. South Korea and Czech Republic, although quite developed and with high GDP per capita, are shown as middle-income country. Likewise, although Slovenia is economically poorer at the moment, it is seen as a high-income country. That problem occurs due to the older data. South Korea's GDP per capita has been higher than Slovenia's only in the last few years. This is further explained in the next chapter. Before that it was lower for decades. There are some cultural and economic issues in lower income countries as well, but these are not studied in this work since OECD countries are more developed.

2.3 Comparison of cultural and economic groups

As mentioned previously in Chapter 2.2, I have grouped the OECD member countries based on two different typologies. The first grouping is made according to Hofstede's research, while the second one is according to Welzel and Inglehart's (2010) cultural map, which is in turn based

on the World Values Survey. According to Hofstede's research, I have already allocated OECD member countries regarding their scores on Individualism and PDI cultural dimensions in Chapter 2.2.1. Therefore, I allocated the 34 countries to four cultural clusters, of which only three are relevant. The allocation of different countries is visible in the Figure 5.

Table 2. Cultural clusters of OECD member countries according to Welzel and Inglehart's typology

English speaking	Australia	Canada	Ireland	New Zealand	United Kingdom	United States		
Protestant Europe	Denmark	Finland	Germany	Iceland	Netherlands	Norway	Sweden	Switzerland
Catholic Europe	Austria	Belgium	Czech Republic	France	Hungary	Israel	Italy	
	Luxembourg	Poland	Portugal	Slovak Republic	Slovenia	Spain		
Orthodox	Estonia	Greece						
Confucian	Japan	South Korea						
South Asia								
Latin America	Chile	Mexico						
African								
Islamic	Turkey							

Source: Based on: World Values Survey, *Findings and Insights*, 2016

For cultural comparison according to Welzel and Inglehart (2010), the countries are divided into nine clusters, as seen in Table 2. The English speaking cluster includes the following countries: Australia, Canada, Ireland, New Zealand, United Kingdom and United States. The Protestant Europe cluster includes: Denmark, Finland, Germany, Iceland, Netherlands, Norway, Sweden and Switzerland. The Catholic Europe cluster is the biggest and also includes one outlier which is Israel. Other countries in the cluster are: Austria, Belgium, Czech Republic, France, Hungary, Italy, Luxembourg, Poland, Portugal, Slovak Republic, Slovenia and Spain. The Orthodox cluster includes only two countries, which are Estonia and Greece. The Confucian cluster also includes only two countries which are Japan and South Korea. The South Asia cluster does not include any countries and is therefore irrelevant for this research. The Latin America cluster includes Chile and Mexico. The African cluster also does not include any countries and is irrelevant. The last cluster is the Islamic cluster, which includes only Turkey, as an OECD member country. Therefore only seven out of nine clusters are actually relevant to this thesis.

For my economic comparison, the OECD countries have been divided in three clusters, based on Welzel and Inglehart's (2010) cultural map of the world shown in Figure 6. The first cluster consists of countries with *low income*. There are no such countries among OECD member states, therefore this cluster is irrelevant for the thesis. The second cluster is made of countries with *middle income*. There are nine such OECD member countries and they include: Chile, Estonia, Greece, Hungary, Mexico, Poland, Portugal, Slovak Republic and Turkey. The third, so-called *high income* cluster includes other 25 members of the OECD. These are: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Iceland, Ireland, Israel, Italy, Japan, South Korea, Luxembourg, Netherlands, New Zealand, Norway, Slovenia, Spain, Sweden, Switzerland, United Kingdom and United States.

I have allocated countries to economic clusters according to their GDP per capita based on purchasing power parity (PPP), measured by the OECD statistical department (OECD, 2016d). For a country to be classified as a middle-income country, they need to have GDP per capita (PPP) between 12,000 US Dollars and 30,000 US Dollars. Countries which in 2015 had lower GDP per capita than 12,000 US Dollars would have been assigned in the low-income group; and countries with GDP per capita higher than 30,000 US Dollars have been assigned into the high-income group. All of the OECD countries are located either in the high-income or middle-income cluster. If they have lower GDP per capita than Slovenia, which is on the border between middle-income and high-income countries, they were allocated to the middle-income economic cluster. Two of the countries are incorrectly allocated to economic cluster on the map in Figure 6. These two are Czech Republic and South Korea, which are both high-income countries and not middle-income, as is visible on the map. They used to have lower GDP per capita (PPP), but have both improved and overtaken Slovenia by GDP per capita (PPP) in recent years. There are 25 high-income countries and nine middle-income countries. Among the OECD member states, there are no low-income countries, which should be in the third cluster according to the initial classification.

Since countries across regions are similar economically and culturally, they are organized in comparable cultural and economic groups. Most of the OECD countries, which are more developed than the rest of the world, are located in only three out of the nine cultural clusters, according to the grouping by Welzel and Inglehart. These clusters are: English speaking, Protestant Europe and Catholic Europe. More precisely, 27 out of 34 member states are located in these three clusters or 79 % of all the OECD members. In economic clusters, 25 out of 34 member states are located in the high-income cluster (or approximately 74 % of all the countries). The majority of the countries in the three dominant cultural clusters are also located in the high-income economic cluster. On the other hand, out of seven countries that are in the other six cultural clusters, only two (Japan and South Korea) are located in high-income cluster and others are in the middle-income cluster. These cultural and economic groups are useful when comparing results of countries on indices of economic development, which I in turn address in the next chapter.

3 ECONOMIC DEVELOPMENT INDICES AND INDICATORS

3.1 Indices and indicators employed in the thesis

The indices and indicators that I have chosen for my research in this thesis were selected based on four criteria. Firstly, they are well known and recognizable worldwide. The general public, academics, students, policy makers and/or business people from different countries and continents are aware of them and use them for different purposes in terms of country comparisons. Secondly, they are easy to access, since they are available on the Internet for free. They are harder to access only in countries where governments limit the internet freedom and access to information, but this is not the case in most countries; and especially not for the OECD. Thirdly, they are all assembled and published by reputable international institutions with high credibility in the international community. Their methodologies are transparent and information about data collection available to the public is likewise thoroughly explained. The research methodology on which their findings are based has been externally validated and does not raise any doubts with regards to sampling regularity (Davies & Ellis, 2000). Their information is regarded as dependable and accurate. Therefore; these indices and indicators are also believed to be reliable. Lastly, they are relatively subjective in nature. They do not depend only on macroeconomic and other types of "hard" data, but are based on surveys and attitudes from key informants. Most of the data gathered is "soft" data which originates from surveyed opinions and perceptions of key informants in given countries. The reason for this is because economic development, which we measure in this thesis, can be a very subjective category. This is definitely true in situations where culture plays an important role in subjective perceptions. Many of these indicators are set by collecting feelings and attitudes of selected people. This can cause some problems with data reliability. People can accidentally, or on purpose give information that is not identical to reality; or their view of reality is different from others (Hough, 2016). The organizations carrying the research are believed to be independent and unbiased. That was also the reason that I chose them for this thesis. Based on these criteria, I use five specific indices in my research, namely: the Corruption Perceptions Index, the Index of Economic Freedom, the Global Competitiveness Index, the World Happiness Index and the Better Life Index. All these indices are composite indices. I describe them more thoroughly in the next section.

3.1.1 The Corruption Perceptions Index (CPI)

The Corruption perceptions index (CPI) has been published by Transparency International since 1995 on a yearly basis. Transparency International is a non-governmental organization headquartered in Berlin, Germany. It observes and publishes reports and information on corporate and political corruption in international development (Transparency International, 2016a). It is a global movement sharing a vision of the world where people live free of any kind of corruption and is widely credited for putting the issue of corruption on the international policy agenda. The organization, which is present in more than 100 countries, is independent

and politically non-partisan, although it does cooperate with governments, businesses, other organizations and people (Transparency International, 2016b).

The Corruption Perceptions Index (CPI) measures the *perceived* levels of *public sector* corruption in countries around the world (Transparency International, 2016d). The 2015 index was published in the beginning of 2016 and includes data from 168 countries and territories. Each of them receives a score between 0 and 100, based on how corrupt they are perceived to be. Countries that are closer to 100 are doing better in their fight against corruption and are perceived to be less corrupt, while those closer to 0 are doing terribly and are perceived to be very corrupt (Hough, 2016).

Its general definition of corruption is as follows: corruption is "the abuse of entrusted power for private gain" (Transparency International, 2016c). Corruption eventually hurts everyone, according to Transparency International. Ertimi and Saeh (2013) emphasise that corruption generally has negative impacts on economic growth which can be seen through investment, trade and foreign direct investment loss. Peisakhin (2012) and Peisakhin and Pinto (2010) find that higher levels of transparency and lower levels of corruption result in greater efficiency of public service provision.

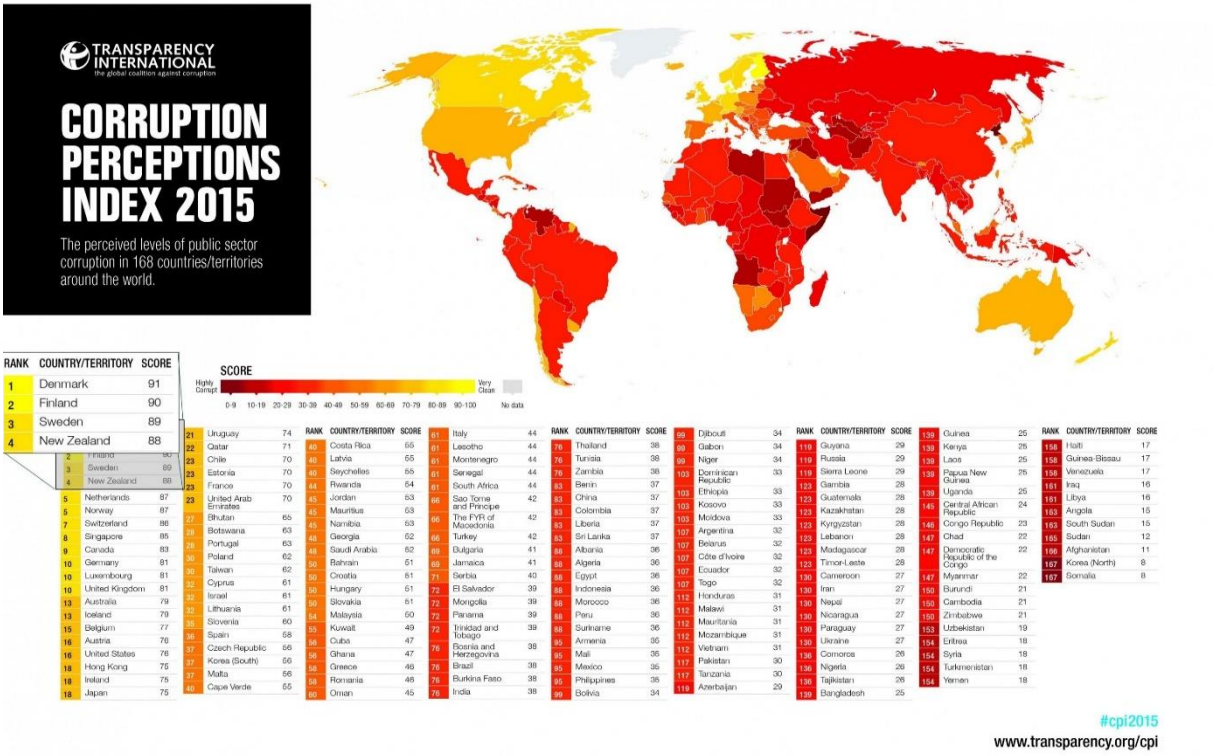
Many other academics define corruption differently. For example, Svensson (2005) states that corruption is an inappropriate use of public office for private gain. He also adds that public corruption is and indicator of country's legal, political, economic and cultural institutions. Regarding public and private corruption, Rose-Ackerman (1999, as cited in Gopinath, 2008) defines corruption as a payment in money or some other valuable thing that involves an exchanged commitment which causes an unethical behaviour of the person being bribed. But corruption is perceived differently in different cultures. From a Slovenian point of view, tipping in some cases in private sector, like bartending, does not involve an act of corruption. Nothing is wrong with giving extra money to a person who earned it by doing a good job. On the contrary, it would be dubious to give a tip before serving a meal because in this case, the waiter can start behaving differently towards other customers. Therefore, it is sometimes hard to conclude if corruption occurred or not, since countries have different opinions about it. Views on corruption differ enormously in countries like Sweden, India and China. While gift giving is an important social custom in China, it can mean corruption in many western countries (Steidlmeier, 1999). Still, Steidlmeier (1999) admits that Chinese did not have strict rules about corruption in the past, and that occasionally it is very hard to differentiate between socially acceptable gift-giving and acts of corruption. When doing business in countries with different perceptions of corruption, conflicts can occur. Based on the monetary amounts involved and sector of occurence, Transparency International further classifies corruption as grand, political and petty. Its most famous publications include: the Global Corruption Barometer, the Government Defence Anti-Corruption Index and the Corruption Perceptions Index.

Another way to view corruption is according to the color coding system on Transparency International's Corruption map, as shown in Figure 7. Darker color shows countries in which corruption is very high. Lighter red and orange colors indicate countries, where situation is a bit better, but corrupt practices among employees, governments and public institutions are still usual. Brighter yellow countries are perceived as much better, but far from ideal and are still somewhat corrupt. There are no countries that are free from corruption, and it is unlikely that there will be any soon. Approximately two thirds of the countries in the world are red and have

a great corruption problem. Even half of the G20 countries are among them (Transparency International, 2016d). Among the OECD members, many countries are also coded red or orange, but they are ranked relatively well in comparison to other countries across the globe.

Nordic countries like Denmark, Finland, Sweden and Norway are doing the best and have achieved some of the highest scores in terms of low levels of corruption (since the index is an inverse value index, where higher value of CPI means a lower level of perceived corruption). On the other side of the table are mostly African countries, like Somalia and Sudan, with some exceptions from Asia like North Korea and Afghanistan. While countries from West Europe, North America and Australia are mostly performing well, African, Asian and South American countries are mostly in red and orange colors.

Figure 7. Corruption Perceptions Index for 2015 by Transparency International (color codded)



Source: Transparency International, *Corruption Perceptions Index 2015*, 2016

Nevertheless, there are some critics of the index and some obvious negative sides, especially from the research point of view. Hough (2016) and De Maria (2008) explain that corruption is a very complex phenomenon which cannot be explained by a single composite score, or a set of combined proxies. It is methodologically problematic, since CPI is actually a poll of polls and combines data from a range of surveys and other kinds of analyses, which assess corruption. Therefore, the data does not actually come from Transparency International, but from other organizations, from which Transparency International pools it together. Furthermore, measuring concepts like corruption, justice, democracy and fairness is very hard and extremely subjective. The corresponding results are usually only approximations and cannot be taken for granted (Hough, 2016).

De Maria (2008), as well as Brown and Cloke (2011) also criticize the index for being too pro-Western and biased towards business. De Maria (2008) believes that the concept of corruption is manipulated to serve Western economic interests. Therefore, he calls for other alternatives which are not so generalizable and are more appropriate for less developed countries, especially in Africa. Another problem of the index is that it measures the *perceptions* of corruption and not the actual level of corruption itself. It is collecting data from subjective opinions of citizens in countries and how they perceive this phenomenon. This perception can be very far from reality (Hough, 2016). CPI is looking at perceptions of only *public sector corruption* and does not investigate the corruption in private sector. This is another huge limitation, since the public sector can play different roles in different types of market systems. Therefore, it does not encompass the whole specter of corruption in the country. Although these are private actors, they have strong influence on public sector (Hough, 2016). According to Brown and Cloke (2011), the research on private sector is being neglected since distinction between public and private sectors are far from universal and are not necessarily in recognizably separate spheres. According to Hough (2016), there is also a problem of corruption inside the countries and across its regions. Corruption can vary from one city to another in the same country. Yet, although CPI has many shortcomings, it is still very useful to some researchers and one of the most widely accepted measures of corruption at the country level used in international comparisons. Importantly, it also forces people to understand that there is corruption in the world and that it has to be searched for and fought, if the world is to become more equal and a better place to live for majority of people. Corruption will remain a global issue and as Shahabuddin (2007, p. 311) highlights "corruption can realistically be reduced, but it cannot be eliminated".

3.1.2 The Index of Economic Freedom

The Index of Economic Freedom has been published by The Heritage Foundation in partnership with The Wall Street Journal since 1995. For the last two decades, it has measured the impact of free markets and economic liberty in relation to economic development and progress of nations worldwide (The Heritage Foundation, 2016a). The index uses data from areas like business, trade, policy and corporate governance to generate a composite index score of countries. The index ranges between 0 and 100, with 100 being the most free and 0 the least free.

The creators of the index argue that throughout history, the lack of economic freedom, liberty and opportunity for the individuals was one of the main reasons for poverty. In the past two decades, global economic freedom has been increasing, consequently bringing greater prosperity to countries worldwide. Partly also due to the advance of economic freedom, we live in times where poverty, ignorance and sickness are receding in the world and people are on average generally becoming richer (The Heritage Foundation, 2016a). The index provides plenty of evidence that economic freedom benefits individuals, societies and countries overall. O'Grady (2008) highlights that countries which rank in the top 20% of the index perform much better than the rest. Their GDP per capita is twice of those in the second quintile and approximately five times bigger than of those in the bottom 20%. With such strong evidence, freedom obviously plays an important role in economic growth. People in such countries also live longer, are more educated and have better jobs.

A study by Ali (2014) also strongly supports that freedom has a significant influence on economic development. He believes that personal freedom and free access to economic opportunities stimulate growth and that economic prosperity and freedom are strongly correlated. A very common way of stimulating growth is by stimulating businesses, which economic freedom does according to Cebula, Rossi and Clark (2016). And many other studies confirm that freedom also stimulates entrepreneurial activity and consequently promotes economic development (Díaz-Casero, Díaz-Aunión, Sánchez-Escobedo, Coduras & Hernández-Mogollón, 2012). Therefore, the Index of Economic Freedom offers more than just country rankings. It explores the sources of economic dynamism and its interrelation with various principles of freedom and free market economy.

The Index covers ten indicators of economic freedom across four categories in 186 countries. These factors include: (1) property rights, (2) freedom from corruption, (3) government spending, (4) fiscal freedom, (5) business freedom, (6) labor freedom, (7) monetary freedom, (8) trade freedom, (9) investment freedom and (10) financial freedom (The Heritage Foundation, 2016b).

- **Rule of Law:**

1.) Property Rights: this indicator measures how protected are individuals and their property by laws and, if these laws are enforced by the state. It also assesses the chances of private property being expropriated and analyzes the independence and corruption levels of judiciary (The Heritage Foundation, 2016c).

2.) Freedom From Corruption: measures the political corruption within the country which damages economic freedom by introducing uncertainty and insecurity. For this indicator, the index is mainly taking data from the Corruption Perceptions Index made by Transparency International. For countries that are not covered in Corruption Perceptions Index, the score is determined by using data from other reliable and internationally recognized organizations within a certain country (The Heritage Foundation, 2016c).

- **Limited Government**

3.) Fiscal Freedom: is an indicator showing the degree of freedom in a country from the tax burden and taxation system enacted by government. It includes calculation of direct taxes on the individual, taxes on corporate income and total tax burden as a percentage of GDP (The Heritage Foundation, 2016d).

4.) Government Spending: this indicator is calculated by analyzing government expenditure, as a percentage of GDP, including transfers and consumption. The higher percentage the country spends and consequently strips its people of freedom of choosing how to spend their money, the lower the score it receives. Nevertheless, some government spending is necessary and it is very hard to identify optimal level of expenditure, since it differs from one country to another. The country that scores very high on government spending might score very low on some other indicators that show the effectiveness of the government like investment freedom and property rights, adapting the final score on the index as a result (The Heritage Foundation, 2016d).

- **Regulatory Efficiency**

5.) Business Freedom: is a measure of possibility and availability to start, operate and close a business in a specific country. It depends on different barriers imposed by government, the total burden of regulation and the efficiency of government in the regulatory process.

The freest environments for businesses score near 100, while the most repressed or almost non-existent score close to 0 on the index. Much of the data is taken from Doing Business study composed by World Bank (The Heritage Foundation, 2016e). Díaz-Casero, Díaz-Aunión, Sánchez-Escobedo, Coduras & Hernández-Mogollón, (2012) find that economic freedom and entrepreneurial activity are closely correlated and hence they strongly affect economic development.

6.) Labor Freedom: defines the country's freedom from legal regulation on the labor market. It includes regulation about minimum wages, hours of work, hiring and firing employees, severance requirements and so on. This indicator is also mostly based on the World Bank's Doing Business study and also on Economist Intelligence Unit and separate official government publications (The Heritage Foundation, 2016e).

7.) Monetary Freedom: since both price controls and inflation intervene with market activity and potentially harm it, this indicator measures price stability and assessment of price controls. The best option for the free market would be price stability without microeconomic intervention. Most of the data is taken from International Monetary Fund (The Heritage Foundation, 2016e).

- **Open Markets**

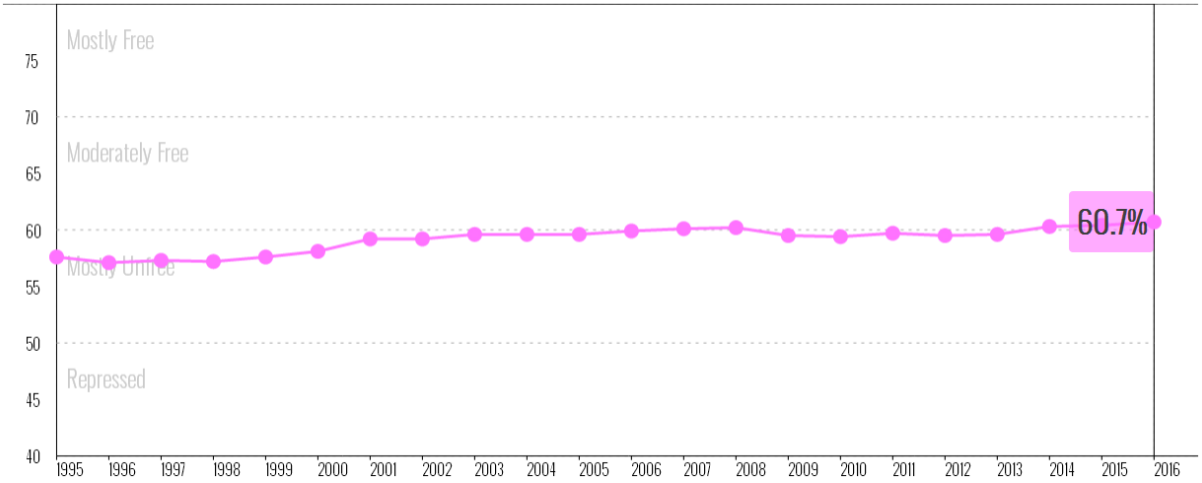
8.) Trade Freedom: measures the presence or absence of tariffs and other trade barriers which affect exports and imports of products and services among countries. Those barriers which are usually protectionist measures aimed to protect local producers, can potentially cause massive disruption of trade flows in international trade. These barriers which disrupt free trade vary from import and export licenses to embargoes, trade restrictions and currency devaluations. The indicator is based on quantitative measure of the trade-weighted average tariff rate and on more subjective measurements of non-tariff barriers. The data comes mostly from World Trade Organization and the World Bank (The Heritage Foundation, 2016f).

9.) Investment Freedom: describes freedom of moving and using investment capital within and across country's borders. In a perfect country setting, there would be no restrictions in flows of investment capital. Companies and individuals could do with their capital whatever they wish and use and move it without restrictions. In practice, there are many kinds of restrictions that governments use, some on foreign exchange, some on payments and transfers and in some cases foreign investment in certain industries or companies is limited or prohibited. Other factors that can influence the investors' freedom in the country are weak infrastructure, transparency, institutions, bureaucracy, political and security circumstances and much more (The Heritage Foundation, 2016f).

10.) Financial Freedom: this indicator is a measure of independence from government control and banking efficiency in the financial sector. State control of the banks and other financial institutions reduces competition and generally lowers the scope and quality of services in the sector. Therefore to have a high score on this indicator, country has to have negligible levels of government ownership and interference in financial sector and strong private institutions like independent central bank and companies. For this indicator the organization collects data from various other organizations and institutions. This is mostly soft data and is quite subjective in nature (The Heritage Foundation, 2016f).

Each year, the countries rankings improve, decline or stay the same, as shown in Figure 8. In the most recent index for the year 2016, Hong Kong has been selected as the world's freest economy, while North Korea remains the world's most repressed economy. Hong Kong and Singapore have respectively been selected as the first and second freest economy since the index was created in 1995. In 2016 only five countries have reached a score of above 80 which portrays them as free. While there has been global progress towards economic freedom, approximately half of the world's countries are still considered either mostly un-free or repressed. There are eight countries for which there is no information in 2016. These are Afghanistan, Iraq, Libya, Liechtenstein, Somalia, Sudan, Syria and Yemen (The Heritage Foundation, 2016b). Overall, the average country score has been advancing since its creation when its score was 57.6 as shown in the Figure 8. This year it has reached the highest total score in 22 years, which is 60.7.

Figure 8. Index of Economic Freedom average country score over the years



Source: The Heritage Foundation, *Country Rankings*, 2016

The Index of Economic Freedom draws on sources and statistics from well-known organizations, like the International Monetary Fund, the World Bank, Transparency International and the Economist Intelligence Unit. For example, scores for 2016 are based on the data for the period covering the second half of 2015 and first half of 2016 and therefore they do not include the impact of the events and policy changes that occur in the second half of 2016. There are also some indicator scores which are based on more distant historical information. For example, the monetary freedom indicator uses a three year weighted average rate of inflation (The Heritage Foundation, 2016g). Many indicators, like property rights and freedom from corruption are subjective, but there are also some objective indicators like fiscal freedom and governments spending. Therefore, the final scores of countries on the Index of Economic Freedom are mixture of hard and soft data.

Although the index is generally accepted among academics as a useful tool for research, there are some critics of it, as well. Definitely, one of the most influential economists Jeffrey Sachs (2005) argued that economic openness does not necessarily lead to higher growth. He indicated that some countries like Switzerland had relatively slow economic growth, although they had very good rankings on the index. On the other side, China was poorly ranked but had

exceptional economic performance. Therefore, the correlation between growth and country's rating is questionable, or perhaps moderated by several contingencies.

As another renowned academic, Karlsson (2005) pointed out some other problematic issues. One of them is that it is hard to measure the freedom of specific countries. He questions which items should be included and how much weight should be given to each. Even the taxes, which are probably the easiest to measure, can be very inaccurate, due to people finding ways of avoiding payment. He found controversies in every component of the index. Karlsson (2005) also pointed out that some famous welfare state countries like Sweden and Denmark are constantly highly ranked and are considered free which is partly also due to incorrect data and flaws in the methodology. The methodology changed more than once in the previous years, according to The Heritage Foundation (2016g). And although that can mean that the index is improving and becoming more accurate, many academics see that as an issue, since it becomes harder to compare historical results and to see the index as consistent.

Sufian and Habibullah (2014) also criticize the index and its belief that freedom has always positive impact on societies and companies. They made a study of the Malaysian banking sector and found that economic freedom can actually hurt the efficiency of the banks. They argue that greater business freedom lowers the barriers to entry and enables other companies to enter the sector and increase competition. Due to the greater efficiency of larger banks, this can have overall negative impact on the sector's efficiency. And although many of the critics like Sachs (2005) and Karlsson (2005) find flaws in the index, they agree that index can be useful for some, especially if methodology is improved. The Heritage Foundation (2016a) concludes that people in higher scoring countries have higher per capita income, live longer, have better health, are more educated and are better protectors of the environment, therefore they are more developed than countries with lower scores.

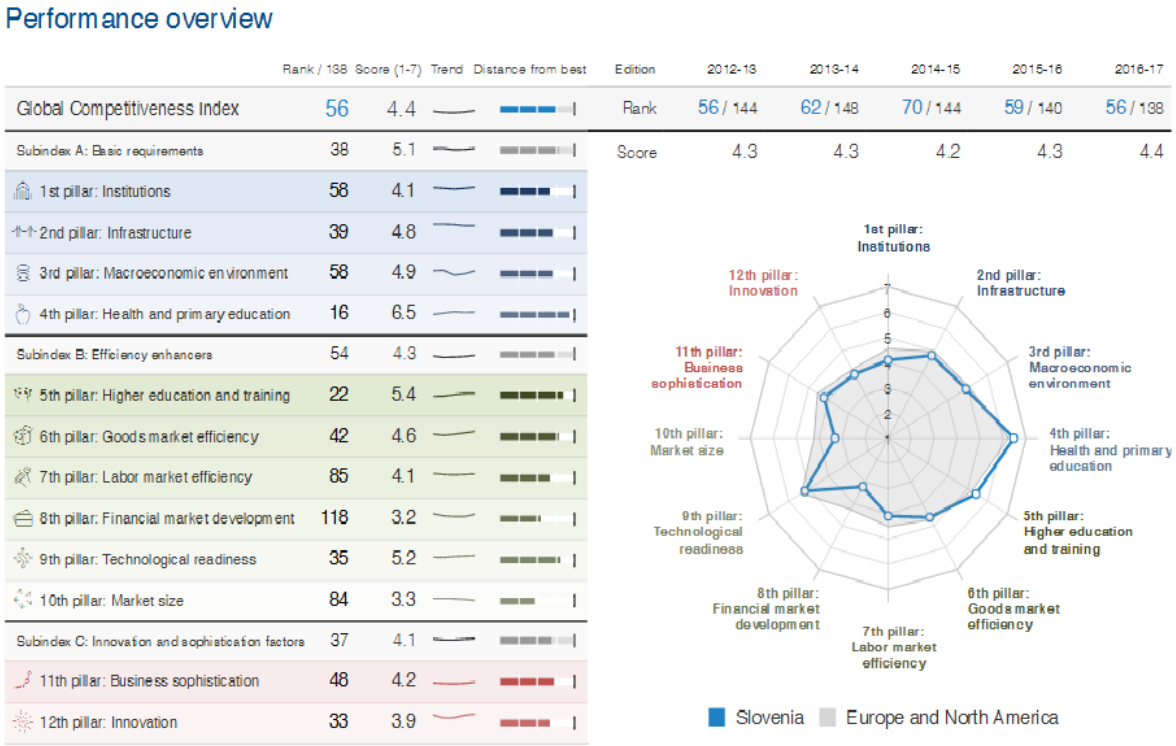
3.1.3 Global Competitiveness Index

The Global Competitiveness Report (GCR) is an annual report published by the World Economic Forum (WEF). The 2015-2016 report measures the competitiveness of 140 economies, explaining various factors that drive their competitiveness (World Economic Forum, 2016a). The Global Competitiveness index is based on the Global Competitiveness Report and ranks countries by their competitiveness since 2004. It is based on Michael Porter's competitiveness of nation's model. There are 12 competitiveness pillars behind the composite index, which represent various areas important for competitiveness. These pillars are shown in Figure 9, together with country/economy profile of Slovenia for 2015-2016, as an illustration. For this thesis, the most important pillars of competitiveness include the pillars for Institutions and Infrastructure. They are a strong prerequisite for economic development and might be the most important pillars overall. They are also the most subjective out of the 12 pillars, and can be used to measure cultural biases. Therefore, I will only refer to these two pillars in my analysis. Upon closer observation of the various indicators captured for these two pillars, one quickly sees that almost all of their indicators are subjective.

To achieve a high competitiveness rating, countries have to support well-functioning private and public institutions and have appropriately well-developed infrastructure, among other

things (World Economic Forum, 2016a). The Global Competitiveness Report does not include only an overall index based on which WEF publishes its renowned country competitiveness rankings, but also offers extensive economy profiles of different countries with key indicators and performance overview graphs, an interactive map of the world, videos, blogs and opinions and other kinds of publications. However, all data is connected and corresponds with measurements and scores relating to the 12 competitiveness pillars, of which the most important for this thesis are Institutions and Infrastructure.

Figure 9. Slovenia country/economy profile on GCI 2016-2017



Source: World Economic Forum, *Global Competitiveness Report 2016-2017*, 2016, p.322.

The institutional environment of a nation has a strong influence on competitiveness, prosperity and growth. It is dependent on the behavior and efficiency of private and public stakeholders (World Economic Forum, 2016c). The so-called Institutions pillar is made of indicators like property rights, public trust in politicians, judicial independence, burden of government regulation, organized crime and ethical behavior of firms. According to Tabellini (2010) and Scott (2001), historical institutions in a country have had a great influence on shaping the current ones. An important role is also played by culture which influences the implementation and enforcement of institutions, according to North (1990) who sees institutions as game rules. For a rapid and sustainable development of the economy, good private and public institutions are necessary. They can increase transparency for preventing mismanagement and fraud and maintain confidence in the system. The global financial crisis of starting in2008 has highlighted the relevance of such transparency and standards which institutions monitor (World Economic Forum, 2016c). In the Institutions pillar of The Global Competitiveness Index, Finland is scoring the best with a score of 6.1 on a 7-point scale. Other countries that are doing very well are: Singapore, New Zealand, Qatar, Norway, Luxembourg and Switzerland. Some of the

countries that are doing the worst in this pillar are: Venezuela (with score of 2.1), Chad, Guinea, Argentina, Burundi and Myanmar (World Economic Forum, 2016b).

To ensure a good and effective functioning of the economy, extensive and well-organized infrastructure is critical (World Economic Forum, 2016c). High quality roads, railroads, ports and airports create a good travel system enabling companies to transport their goods and services in a fast and safe way to other companies, or markets. It also allows workers to quickly commute to work and shortens the time lost on travelling and traffic jams. Since economies and businesses depend on electricity supply, good energy infrastructure is also necessary. Finally, extensive telecommunications network enables free flow of information and allows businesses to communicate and receive all the relevant data (World Economic Forum, 2016c). This pillar includes indicators such as: quality of roads, quality of port infrastructure, quality of electricity supply and mobile telephone subscriptions/100 population. In the Infrastructure pillar, Hong Kong is doing the best with a score of 6.7 out of 7. Some of the other countries that are ranked very high include: Singapore, Netherlands, United Arab Emirates, Japan, Switzerland and Germany. Some of the worst scoring countries are Chad (with score of only 1.7), Guinea, Madagascar, Nigeria and Nepal (World Economic Forum, 2016b).

The Global Competitiveness Index combines 114 indicators which capture concepts that matter for competitiveness and productivity across 140 studied countries (World Economic Forum, 2016d). The index includes data from recognized organizations and agencies such as the International Monetary Fund (IMF), The World Health Organization and the United Nations. A lot of data is also taken from other sources and specific indices. For the Institutions' pillar, much of the data for the indicator is taken from Transparency International's Corruption Perceptions Index. There are some countries which are not included, due to lack of data. These are: Angola, Barbados, Burkina Faso, Libya, Puerto Rico, Suriname, Timor-Leste and Yemen. The Global Competitiveness Index covers the economies with combined output of approximately 98.3% of the world's GDP (World Economic Forum, 2016d).

3.1.4 World Happiness Index

The World Happiness Index is part of the World Happiness Report, which is published by the United Nations (UN). The 2016 World Happiness Report ranks 156 countries according to the perceived happiness of their population and studies the distribution of happiness within national and regional populations (World Happiness Report, 2016a). The World Happiness Report was published for the first time in 2012. Other publications followed in 2013, 2015, and the last in 2016. Happiness is increasingly considered to be an important measure of the true social progress and human development (World Happiness Report, 2016b). Therefore, measuring subjective well-being is becoming increasingly important for organizations, communities and governments.

The happiness index is calculated by six key variables. These six factors include: (1) GDP per capita, (2) social support, (3) healthy years of life expectancy, (4) perceived freedom to make life choices, (5) generosity of the people, and (6) trust in the government and the absence of corruption (World Happiness Report, 2016b). Country rankings are done by average of Cantrill

ladder questions, where people were asked to evaluate the quality of their lives from 0 to 10, where 0 corresponds to terrible and 10 to excellent.

The six factors are calculated in different ways. GDP per capita in calculated in terms of Purchasing Power Parity (PPP) data, which is taken from the World Bank database from December of previous year. It is an objective measurement and affects happiness through higher income and wealth. Social support takes into account that people have someone to count on in times of trouble. It is measured by national average of binary responses when people are asked if they have someone to count on. It is a subjective indicator. Healthy years of life expectancy data is collected from the World Health Organization (WHO) and the World Development Indicators (WDI). Perceived freedom to make life choices is the national average of binary responses on the question about personal freedom to do what you want. This is a very subjective indicator, as well. Generosity is again a subjective indicator which collects and scores responses on people donating money to charity. Trust in the government and perception of corruption is also a subjective indicator, collecting binary answers on questions about corruption in government and in businesses. Out of the 6 factors, 4 are subjective, therefore World Happiness Index is quite subjective and contains mostly what I would label as "soft data".

Interestingly, each nation is also compared with a hypothetical country called Dystopia which represents the lowest national averages for each factor and is used as a regression benchmark. The World Happiness Report uses considerable amount of data from the Gallup World Poll for calculating many of the indicators. Philosophers and researchers of well-being also greatly contribute in preparation of the World Happiness Report (World Happiness Report, 2016b).

Figure 10. World Happiness Index 2016 highest scoring countries

2016 ranking

Legend:

Explained by: GDP per capita
Explained by: Social support
Explained by: Healthy life expectancy
Explained by: Freedom to make life choices
Explained by: Generosity
Trust or absence of corruption, as explained by the publicly perceived absence of corruption in government and business

Rank	Country	Score	Change Over Prior Year	GDP per capita	Social support	Healthy life expectancy	Freedom to make life choices	Generosity	Trust
1	Denmark	7.526	▼ -0.401						
2	Switzerland	7.509	▲ 0.035						
3	Iceland	7.501	– 0.000						
4	Norway	7.498	▲ 0.082						
5	Finland	7.413	▼ -0.259						
6	Canada	7.404	▼ -0.041						
7	Netherlands	7.339	▼ -0.119						
8	New Zealand	7.334	▼ -0.097						
9	Australia	7.313	▲ 0.002						
10	Sweden	7.291	▼ -0.017						
11	Israel	7.267	▲ 0.258						
12	Austria	7.119	▼ -0.003						
13	United States	7.104	▼ -0.261						

Source: World Happiness Report, *World Happiness Report*, 2016

The average levels of happiness differ among countries and regions. Some of the happiest countries according to World Happiness Report are, for example: Denmark, Switzerland, Canada, Australia and Israel. Although they are all developed countries, they are located in different regions. People in some regions like Northern Europe and Western Europe are on average much happier than others. Generally, more developed countries are happier than less developed. Figure 10 shows highest scoring countries on the World Happiness Index 2016. Countries which have the least happy populations are Burundi, Syria, Togo, Afghanistan and Benin. They also come from different regions. The world's average happiness is generally equally distributed. The Middle East and North Africa, and Latin America and the Caribbean are the only two regions that have more unequally distributed happiness than the world's average (World Happiness Report, 2016b). Nevertheless, happiness inequality in most countries and for the world population as whole has considerably increased in the last few years. That is bad news for people, since they are generally happier in countries and societies where there is less happiness inequality (World Happiness Report, 2016a).

3.1.5 Better life index

The Better Life Index, created by the OECD, has been published since 2011. It evaluates and compares the well-being and quality of life in OECD member countries (OECD Better Life Index, 2016a). In addition to the 35 OECD member countries, it additionally includes results for Brazil, Russia and South Africa. The Better Life Index was created because of concerns that usual macroeconomic indicators like GDP fail to show the truth of people's well-being (How to measure prosperity, 2016). Since GDP is failing as a measure of welfare, governments and organizations are searching for new ways to evaluate it. GDP is more appropriate for measuring the standard of living, which is a different term than well-being and quality of life. While the standard of living is based primarily on income of people, well-being encompasses much more than just income-based well-being. It also relates to health, safety and the environment.

The Better Life Index rates countries according to 11 topics (dimensions) that are essential for areas like quality of life and material living conditions. These include: (1) housing, (2) income, (3) jobs, (4) community, (5) education, (6) environment, (7) civic engagement, (8) health, (9) life satisfaction, (10) safety and (11) work-life balance (OECD Better Life Index, 2016a).

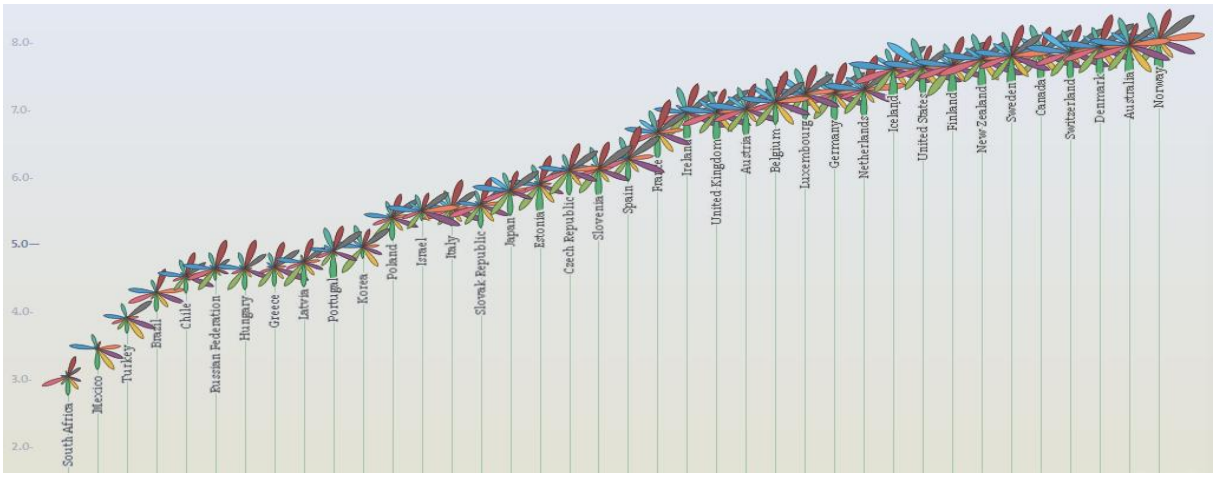
Living in decent housing conditions, which offers shelter and place to sleep, rest and safety, is one of the dimensions. The housing dimension includes three indicators, which are: housing expenditure, dwellings with basic facilities and rooms per person. Income is another dimension, which helps to achieve higher living standard and consequently greater welfare. It includes two indicators which are: household financial wealth and household net adjusted disposable income. The third dimension is jobs. A job obviously helps well-being by providing income, but also allows individuals to develop their skills and knowledge, as well as to stay connected with the society and feel a sense of self-worth and purpose. It includes four indicators, which are job security, personal earnings, long-term unemployment rate and employment rate.

Another dimension is community. Well-being is also determined by quality and quantity of social contacts and personal relationships with others. The only indicator here is the quality of the support network, which is very similar to the social support indicator in the World

Happiness Index. Education, which provides individuals with knowledge and skills, is the fifth dimension. Its indicators include: years in education, student skills and educational attainment. The sixth dimension is the environment, which directly impacts how we feel and how healthy we are. The two indicators that form the score for the environment dimensions include: water quality and air pollution. Civic engagement is another indicator. It evaluates trust in the government and transparency which is becoming increasingly important for well-being and social cohesion, especially in developed democratic countries. The two indicators here include: consultation on rule-making and voter turnout. Many people rank health, which is also a dimension, as the most important thing in their lives. Healthy people are happier, have better access to jobs and education, spend less money on healthcare and have better social relations. The indicators in this dimension include: self-reported health and life expectancy. Life satisfaction is a dimension with only one indicator, which is also called life satisfaction. It is a subjective measurement of feelings about quality of life that people have across countries. Another dimension is safety, which measures personal security of individuals and the risks of them falling victim to different kinds of crime. Lack of safety causes feelings of vulnerability and anxiety. The corresponding indicators include: homicide rate and assault rate. The last dimension is work-life balance. It is important for the well-being of whole family to find the balance between work and daily living. Indicators that are measured are time devoted to leisure and personal care and employees working very long hours.

It is possible to adjust the aforementioned dimensions according to perception of importance by a specific person. If an individual rates one dimension more important than the others, he can change its relevance and receive an adjusted country ranking index. Without adjusting the ranking to meet specific needs, the index rates all dimensions equally (OECD Better Life Index, 2016b). In that case, Norway scores the highest and is positioned first on the index. Australia, Denmark, Switzerland and Canada all have great scores, while South Africa, Mexico, Turkey, and Brazil are ranked very badly. South Africa scores worst and is positioned last on the rankings. The OECD has not assigned general specific scores to the countries, but there are specific scores for all the dimensions and it is possible to compare countries regarding these (OECD Better Life Index, 2016b). Because of that it will not be possible to analyze country scores but only to assign them in clusters. Figure 11 shows 2016 Better Life Index country rankings.

Figure 11. Better Life Index 2016 country rankings



Source: OECD Better Life Index, *Index*, 2016

The data in the Better Life Index comes mostly from official sources and reputable organizations, such as the OECD, National Statistics Offices and United Nations Statistics (OECD Better Life Index, 2016b). Some of the indicators are also based on the Gallup World Poll, similarly to some data from the World Happiness Index. That is a division of Gallup Organization which constantly handles public opinion polls in most of the countries in the world. The majority of the indicators in the Better Life Index have already been published by the OECD (OECD Better Life Index, 2016b). For all dimensions, the weights have been set equally to 1, giving all the same importance. As mentioned before, people can change and adjust them by themselves.

There is also some criticism of the Better Life Index, as well. One of the problems is that it does not sufficiently include social inequalities (Rogers, 2012). Future editions of the index ought to change that and improve the index in this direction. Another problem is that the index is classified as a sustainable development index, but that is questionable since it focuses mostly on socio-economic aspects (OECD Better Life Index, 2013). Only the indicators measuring air pollution and water quality are measuring the environmental impact, which is probably inadequate to define it as a sustainable development index. The Better Life Index ranks only member countries of the OECD, Brazil, Latvia, South Africa and Russia. It would be very useful to rank the other countries as well, due to its fame and credibility. Many users of the index around the world can comment and share their views, but the concrete data is available only for 38 countries. Many believe that the index is very accurate and objective. That is a mistaken opinion, since many of the underlying indicators are in fact quite subjective. Dimensions like the environment, civic engagement, health and safety all have one objective and one subjective indicator. And since subjective indicators come from people's personal feelings and opinions at a given time, they do not offer rock solid results. Still, they are credible and very useful for companies, governments, organizations and policy-makers.

3.2 The objectiveness of rankings and indicators

At the beginning of this thesis, I decided to study the role of cultural biases in various economic development indicators of countries which are subjective in their nature and the objectiveness of these indicators. These indices and their indicators are usually viewed as "hard objective" measures, although the majority of the people do not actually know where the data comes from, or how they are measured. They are considered to be completely objective, because they are made by distinguished organizations which are acclaimed and respectable. But as I already mentioned, economic development can be a very subjective category. Rankings and scores can often depend not only on macroeconomic and other types of "hard" data, but also on the opinions and perceptions of key informants in given countries. This is especially true in situations where culture affects subjective perceptions and attitudes (i.e. tendency towards optimism or pessimism). Many of these indicators are set by collecting peoples' feelings and attitudes in different surveys based on simple ordinal Likert-type scales. Therefore I had to search for subjective indices and indicators that are the most appropriate for this thesis and that can be analyzed in connection to cultural backgrounds of the studied countries.

The Corruption Perceptions Index is very subjective, because the results from measuring concepts like corruption, fairness and justice cannot be taken for granted (Hough, 2016). The

data comes from subjective opinions of citizens in countries and how they perceive the phenomenon. They can see corruption completely inversely in different cultures. Gift giving in China used to build social capital and establish trust can be perceived as corruption in many parts of the world (Steidlmeier, 1999). Still, CPI only measures perceptions of *public* corruption and not private corruption (business), as well. The Corruption Perceptions Index is probably the most subjective of all the chosen indices in my master thesis.

The Index of Economic Freedom has a mixture of subjective and objective indicators. Some of the more subjective ones include property rights and freedom from corruption indicators, while the objective ones include fiscal freedom and government spending indicators. The Index of Economic Freedom is therefore partly objective, but still suitable for this thesis.

The Global Competitiveness Index consists of 12 pillars underpinning country competitiveness. Many of these pillars are objective and not suitable for this work. Because of that, I have chosen only two pillars which are the most subjective and can be used in the context of cultural biases. That is also the reason that the general country scores and rankings are not compared. The two pillars that I have chosen are: Institutions and Infrastructure. There are also some other relatively subjective indicators like Higher education and training, Labor market efficiency, Financial market development, Business sophistication and Innovation, which are not used in this thesis, as they are based on a mixture of objective and subjective indicators. Therefore, the Global Competitiveness Index is the only index among the chosen ones, which has two variables (sub-dimensions) for comparison.

The World Happiness Index measures happiness and well-being, which is very subjective by nature. Nevertheless, the index includes some objective indicators, such as GDP per capita as well. Although GDP per capita affects happiness through personal income, it is "hard" data. Another objective indicator is Healthy years of life expectancy. This is unexpected, since happiness is hard to measure and I expected it to include only subjective indicators. The other four indicators are subjective and mostly collected directly from the people. Therefore, the World Happiness Index is still mostly subjective and predominantly includes "soft" data.

The Better Life Index is the fifth index used in this work. It also includes a mixture of subjective and objective indicators, but is predominantly subjective. Many dimensions like the environment, civic engagement, health and safety have one objective and one subjective indicator. It does not include general rankings for the countries, but data can be compared nonetheless. Within this index, people can choose which dimensions are more important and build their own indices, which is also not objective due to differing opinions of individuals.

Because of their objectiveness and inappropriateness, I excluded many famous indices from this work. Some of them are: Doing Business from the World Bank Group, Human Development Index from the United Nations Development Programme and Environmental Performance Index from the Yale University. All of them are too objective and contain mostly "hard" data. Therefore, it is harder to say that they are affected by cultural biases. The five indices that I chose are more subjective, and are mostly collected from people's answers on personal feelings and judgments. Having presented my theoretical framework and spent considerable time in exploring the methodological backgrounds of my selected indices, I now turn to the analytical part of my master thesis.

4 METHODOLOGY AND ANALYSIS

4.1 Analysis of Hofstede's and Welzel and Inglehart's typologies

4.1.1 Hofstede's typology

Hofstede's typology allowed me to create four distinct cultural clusters for my analyses. They are based on Power Distance (PDI) and Individualism country scores, as shown on Figure 5, p. 26, where the cutoff value for both the X and Y axis was taken at 50 which represents the mean of the two indices ranging 0-100. PDI was chosen because it measures how society handles inequality, and inequality is of paramount importance for economic growth and development. Many economists claim that some inequality is necessary to propel socio-economic growth, especially in rich countries (How inequality affects growth, 2015). But many also argue that inequality can damage growth by hurting health and productivity of people, which also affects economic development. On the other hand, individualism is also important, because it measures how people behave, and if they take care only of themselves and their closest family, or do they care for bigger groups and society as whole. Individualism is perhaps most closest related to the question of human organization, again important in terms of development. As Ball (2001) argues, there are different interpretations, often contradictory, of how individualism and collectivism affect economic development. These two dimensions are also some of the Hofstede's most used dimensions of culture and multi-country comparisons. Therefore, I find them the most useful for this thesis, although some other dimensions like masculinity and uncertainty avoidance could also be relevant.

Among the four clusters according to Hofstede, the biggest cluster is the first cluster which consists of 20 countries among 34. The second cluster consists of six countries, and the third cluster is made of eight countries. The fourth cluster has no OECD member countries in it and is irrelevant. If we compare these four clusters with the three economic clusters (described in chapter 2.3), we can see that the most developed countries are in the first cultural cluster. Out of 20 countries, 18 (90%) correspond to so-called high-income countries. Only Hungary and Estonia are middle-income countries in this cultural cluster, where countries scored high on Individualism, but low on PDI. In the second cluster, where countries have both high PDI and Individualism scores, four out of six countries correspond to high-income countries. That is 67% of the countries in that cluster, while 33% of the countries are middle-income. These include Poland and the Slovak Republic. In the third cluster, where there are eight countries, only three correspond to high-income countries, which is a minority (38%). These countries are: Japan, Slovenia and South Korea. And even here, Slovenia and South Korea are relatively close to the middle-income country cluster. The other five countries, which make 62% of this cultural cluster correspond to the middle-income country group and are located in the second economic cluster (12,000 to 30,000 US Dollars in GDP per capita, including PPP). It is very interesting that there are no OECD countries in the fourth cluster, which has both low Individualism and low PDI levels. Overall, I do not find many countries in this cluster in general (even outside the OECD). And there are also not many countries in the second cluster, where both Individualism and PDI are high. Therefore, I can conclude that countries with high Individualism usually have lower PDI. This is additionally supported by the fact, that the

correlation coefficient of PDI and Individualism from 34 OECD member states is -0.51199, as seen in Table 3. This means that there is a strong negative relationship between the two dimensions, as explained later on in the text.

Overall, we can see that the countries which have the best economies have high Individualism and low PDI scores. Only Hungary and Estonia, which are both near the third economic cluster (above 30,000 US Dollars per capita in PPP) are exceptions in this first cultural cluster. Considerable deviations, otherwise, are seen with Slovenia and South Korea, which both have Individualism levels below 30, but are still high-income countries, and Belgium and France which have PDI score above 60 and are also high-income countries. The most visible outlier of all the countries is the Slovak Republic. It has 19 points higher PDI than the second highest, which is Mexico, and at least 29 points higher PDI than all the other OECD states.

4.1.2 Welzel and Inglehart's typology

If we compare the cultural clusters which are based on Hofstede with cultural clusters based on Welzel and Inglehart, we get an interesting picture. All of the six countries from Welzel and Inglehart's English Speaking cluster are located in the first cluster based on Hofstede. Furthermore, all of the eight countries that are located in the Protestant Europe cluster are also in the first cluster based on Hofstede. All eight are also extremely close to each other in terms of both Individualism and PDI, and are somehow located in the middle of the cluster, as shown on Figure 5. On the other hand, the so-called Catholic Europe cluster is divided among several clusters based on Hofstede. If we compare Figure 5 with Table 2 on p. 29, five out of 13 countries in the Catholic Europe cluster are located in the first cluster based on Hofstede, six in the second and two in the third cluster. This makes the Catholic Europe cluster the most diverse regarding PDI and Individualism scores. PDI ranges from Austria's low score of 11 to the Slovak Republic's high score of 100, which is a difference of 89 points. While Austria has the lowest PDI of all the members of the OECD, the Slovak Republic has the highest. On the Individualism axis, both Slovenia and Portugal score 27, while Hungary and Netherlands score 80, which is again a huge difference of 53 points. The Orthodox cluster includes Estonia, which is located in the first cluster based on Hofstede, and Greece which is located in the third cluster. Both Japan and South Korea are located in the Confucian cluster by Welzel and Inglehart. They can be found in the third cluster based on Hofstede. Both have similar PDI, but Japan has a lot higher Individualism score (still below 50). The other clusters with the OECD members are Latin American which includes Chile and Mexico and Islamic, which includes Turkey. All three countries are located in the third cluster based on Hofstede and achieve relatively similar scores on both PDI and Individualism. As we can see, all of the OECD countries in the nine clusters based on Welzel and Inglehart, except the Catholic Europe and Orthodox cluster, are located in a specific cultural cluster based on Hofstede. The most interesting and diverse is the Catholic Europe which includes 13 countries spread among three clusters based on Hofstede.

We can also compare the Welzel and Inglehart's cultural clusters with the aforementioned economic clusters. As mentioned in chapter 2.3, countries are similar culturally and economically, and they are organized in comparable cultural and economic groups. The most developed countries are located in the first three clusters (English speaking, Protestant Europe and Catholic Europe). Almost all of these countries are also located in the high-income

economic cluster, with the exception of some Catholic Europe countries. These include: Hungary, Poland, Portugal and the Slovak Republic. Both the English speaking cluster, with six countries, and the Protestant Europe cluster, with eight countries, consist only of high-income countries. These three dominant clusters also contain 79% of all the OECD member states. The Confucian cluster also contains two high-income OECD countries, which are Japan and South Korea. The Orthodox Europe, Latin American and Islamic clusters all contain only middle-income countries which are located in the second economic cluster and have lower GDP per capita than 30,000 US Dollars. So, out of seven countries in the last six clusters, only Japan and South Korea are high-income countries, while the others are middle-income, showing the economic superiority of the first three clusters. According to Figure 6 on p. 27, I can conclude that clusters with countries that have higher secular-rational values than traditional values and which have higher self-expression values than survival values, are richer and have higher GDP per capita.

4.2 Analysis of indices and indicators

4.2.1 The Corruption Perceptions Index

The Corruption Perceptions Index, which measures perceived levels of public sector corruption, is the first index that I have analyzed. Almost all of the OECD countries score extremely well on this index. The seven countries that scored best on this index are all members of the OECD. These are: Denmark, Finland, Sweden, New Zealand, Norway, Netherlands and Switzerland. There are 11 OECD countries which score above 80, meaning that the perceived level of public sector corruption is very low. There are 14 more countries which score between 60 and 79, meaning that they also have relatively low perception of corruption in the public sector. The other nine countries score between 35 and 58, and are perceived to be quite corrupt. These nine include: Spain, Korea, Czech Republic, Hungary, Slovak Republic, Greece, Italy, Turkey and Mexico. Mexico is perceived as the most corrupt with the dismal score of 35, comparing it with the countries like Armenia, Mali and Philippines. Out of the 167 countries that are scored, Mexico is located on the 95th position, although its score did slightly improve in the last two years.

Overall, the OECD countries are doing extremely well on the Corruption Perception Index, and are perceived to have relatively low levels of public sector corruption. That is also expected, since the countries are some of the most economically developed in the world. Out of all 167 countries, 15 OECD countries are in the top 10% by ranking (16 countries altogether). The only other country which is not part of the OECD in the first decile, is Singapore, as seen in Figure 12. There are also 24 of the OECD countries among the first 20%, which marks the second decile, and includes 33 countries. Italy, as the rankings second last from the OECD, is in 61st position. Mexico, which is 24 positions lower on the rankings, is the only true outlier among the OECD member countries.

Figure 12. Corruption Perception Index 2015, top 16 countries

Rank	Country/territory	2015 Score
1	Denmark	91
2	Finland	90
3	Sweden	89
4	New Zealand	88
5	Netherlands	87
5	Norway	87
7	Switzerland	86
8	Singapore	85
9	Canada	83
10	Germany	81
10	Luxembourg	81
10	United Kingdom	81
13	Australia	79
13	Iceland	79
15	Belgium	77
16	Austria	76

Source: Transparency International, Table of results: *Corruption Perceptions Index 2015*, 2016

If we compare the Corruption Perception Index results with cultural clusters according to Hofstede (Figure 5), we can see that the countries which are in the first cluster fare the best. The average score for this cluster is 77.8, indicating a relatively low level of perceived corruption in the public sector. With some exceptions, like Italy, Hungary, Israel and Estonia, countries from this cluster are occupying top positions. The second cluster is doing relatively well on this index, but it is still doing a lot worse than the first cluster. It has an average score of 62.3. The third cluster includes some of the countries that are ranked the worst among the OECD member countries. Mexico, Turkey and Greece are the only three countries from the OECD except Italy that scored lower than 50 on the index. The average score for this cluster is 55.9.

If we compare the index with the cultural clusters according to Welzel and Inglehart (Table 2), the Protestant Europe and English Speaking clusters have on average the best results with highest scores on the index. The Protestant Europe cluster is especially perceived as not corrupt, since it includes six out of seven countries, which are perceived to be the least corrupt, and other two countries in the cluster are also among the top 13 countries by low corruption from the OECD. All the other clusters have countries which are on average perceived to be more corrupt than the first two clusters.

If we compare the index with the economic clusters based on Welzel and Inglehart's (2010) cultural map of the world shown in Figure 6, only two of them are relevant. The third cluster with high-income countries includes majority of the best scoring countries on the index. The second cluster, with middle-income countries, includes countries that on average do relatively well on the index, but score far worse than the high-income countries of the third cluster. This shows that the countries with higher income are perceived to be less corrupt than those with lower income.

4.2.2 The Index of Economic Freedom

Index of Economic Freedom measures the impact of free markets and economic liberty in relation to economic development and progress of the world's nations (The Heritage Foundation, 2016a). The OECD countries score very well on this index. Among the countries branded as "free" according to the index, three out of five are from the OECD member states. These include: New Zealand, Switzerland and Australia, and they all score above 80. There are also 19 members of the OECD which are branded "mostly free" with the corresponding score between 70 and 79.9. Countries which score between 60 and 69.9 are "moderately free", and there are 11 such countries among the OECD members. Only one country in the OECD has a lower score, and is branded as "mostly unfree". This is Greece, which scores 53.2 on the index and is perceived as the least free country on the index among the OECD members. Greece is located in 138th position out of 178 countries which are ranked, which is embarrassing for such a developed country. But overall, the OECD countries are doing quite well on the index. Out of 178 countries, 12 of the OECD members are in the first decile, which includes 17 countries (top 10%). And 23 of the OECD members are in the first quintile, which includes 35 countries (top 20%).

If we compare the results from the Index of Economic Freedom with cultural clusters according to Hofstede (Figure 5), we can see that in general the countries which are in the first cluster fare the best once again with the average score of 74.2. And once again, Italy and Hungary score the worst in this cluster. On average, the six countries from the second cluster score 68.1, while eight countries from the third cluster score 66.1. This is relatively close score for both clusters, with the Greece considerably lowering the average for the third cluster (53.2), but Chile, also from the third cluster considerably increasing it (77.7).

If we compare the index with the cultural clusters according to Welzel and Inglehart (Table 2), the Protestant Europe and English Speaking clusters have again on average the highest scores on the index. Catholic Europe countries have once again diversely spread scores, but are on average doing worse than other OECD countries. Orthodox and Latin America countries have interesting scores. Both clusters have one country which scores very well, Estonia with 77.2 and Chile with 77.7 respectively, and one country which scores badly, Greece with 53.2 and Mexico with 65.2, in comparison with other OECD countries. Confucian countries have approximately average scores, Japan being ranked 16th and Korea 20th among 34 OECD members. Turkey, which is part of Islamic cluster is doing badly with the score of 62.1 and 31st position among OECD members.

I also compared the index with the economic clusters based on Welzel and Inglehart's (2010). Once again, the countries from the third cluster, which is high-income cluster, perform a lot better than middle-income countries from the second cluster. Out of the 22 OECD countries that score above 70, only two are middle-income countries. These are Chile, with the score of 77.7, and Estonia, with the score of 77.2, as shown in the Appendix A. Most of the middle-income countries are at the bottom of the OECD 34 country list, but there are some high-income countries there as well, such as Slovenia, Italy and France. I therefore conclude that the people in higher scoring countries on the index have higher income.

4.2.3 The Global Competitiveness Index

The Global Competitiveness Index, which measures the competitiveness of national economies, is comprised of 12 pillars. Overall, the country that achieved the highest score and was ranked first on the index was Switzerland, with the cummulative score of 5.8. But for this thesis, the most important indicators are institutions and infrastructure pillars. The advanced OECD member countries score very well on these two indicators as well, as expected, due to their high level of development.

4.2.3.1 The GCI Institutions

Institutions are the first pillar of competitiveness. In the first decile (top 10%), there are 14 countries of which ten are OECD members states. The only two OECD countries which score above 6.0 are Finland and New Zealand (World Economic Forum, 2016b). 16 OECD members score between 5.0 and 5.9, 7 score between 4.0 and 4.9 and 9 score between 3.0 and 3.9. The lowest scoring OECD country on the index is Mexico, with a score of 3.3, followed by Italy and the Slovak Republic with the score of 3.4. Out of 140 countries ranked in the institutions indicator, Mexico is located on the 109th position, which is extremely bad for a country in the OECD. But the majority of OECD countries have high scores on this indicator. More than half of them (18) have a score above 5.0 in total, only 25 countries have such a high score for this index.

In comparison with the cultural clusters according to Hofstede (Figure 5), the countries in the first cluster have on average the best institutional scores. The first nine positions among OECD members are occupied by countries from the first cultural cluster according to Hofstede's classification. They vary from Finland, with a score of 6.1, to Ireland with a score of 5.5. All the countries in this cluster fare exceptionally well, and score above 4.4, except Italy and Hungary, which are outliers, and score 3.4 and 3.5. The second and third cluster countries have worse performance. While the average score for the 20 countries in the first cluster is 5.2, the average score for the countries in the second cluster is 4.3, and 4.1 in the third cluster, as shown in the Appendix A. With a score of 3.4, the Slovak Republic and Mexico, with the score of 3.3, are both dramatically lowering the average for the second and third cluster respectively.

In comparison with Hofstede's clusters, the cultural clusters according to Welzel and Inglehart (Table 2), the countries from the Protestant Europe cluster have the best scores on institutions indicator. Out of the seven OECD countries which score more than 5.6, five are from this cluster, while one is from the English Speaking and one is from the Catholic Europe cluster. Excluding these five – even the other three countries from the Protestant Europe cluster, which are Denmark, Iceland and Germany – all score above 5.2. Therefore, I can conclude that countries from the Protestant Europe cluster have by far the best institutions. Second best are countries from the English Speaking cluster, which are ranked mostly behind the first seven OECD countries on this indicator. The Catholic Europe countries are doing worse, and are behind the OECD average, especially being dragged down by the Slovak Republic, Italy and Hungary. The Confucian cluster is doing a bit better than the Orthodox cluster, but both are around the average of the OECD, while the Latin America and the Islamic clusters have among the worse scores in the OECD.

The economic clusters based on Welzel and Inglehart's (2010) show that high-income countries from the third cluster again have the best scores. From the 18 OECD countries that score above 5.0, only one is a middle-income country. That is Estonia, with the score of exactly 5.0, and is in the 18th position among OECD members. On the other hand, high-income countries which did not score well include Italy (3.4), as well as Spain, Slovenia and Korea, which all score equally at 3.9. But all of these four countries are relatively close to the second middle-income cluster.

4.2.3.2 The GCI Infrastructure

Infrastructure is the second pillar of competitiveness in my master thesis. In the first decile (top 10%), there are 14 countries of which ten are OECD member states. But among the first five countries on the list, only the Netherlands and Japan are from the OECD. Still, the highest ranked OECD countries have better scores here than they had within the Institutions pillar. Except for the Netherlands and Japan, four other countries score above 6.0 (World Economic Forum, 2016b). 17 OECD countries score between 5.0 and 5.9, and 11 score between 4.0 and 4.9. Unlike with the Institutions pillar, no OECD countries score below the 4.0 value. The lowest scoring OECD country on the index is once again Mexico, with a score of 4.2, followed by the Slovak Republic and Poland with scores of 4.3. Out of the 140 countries ranked in the institutions indicator, Mexico is located in the 59th position, which is the worst among the OECD, but is still relatively good, especially in comparison with its 109th position on the Institutions' pillar. Almost all of the OECD countries have good scores on this indicator. More than two thirds of them (23) have score above 5.0, which only 31 countries have in total.

In comparison with the cultural clusters according to Hofstede (Figure 5), countries in the first cluster have the best infrastructure on average. While some of the best scoring countries from the first cluster are the Netherlands, Switzerland and Germany, some of the worst scoring are Hungary, Israel and Estonia. The latter are the only countries with the score below 5.0 out of 20 countries in the first cluster. The average score for this cluster is 5.5, which is remarkably good. The second and third clusters perform a bit worse, but not considerably worse. The average score for the second cluster is 5.1. With a score of 6.0 France and Spain (5.9) are pushing the average up, while the Slovak Republic and Poland are pushing it down with a score of 4.3. The average for the third cluster is 5.0. Japan is by far the best scoring country in this cluster, with a score of 6.2, while Mexico is the worst with 4.2, decreasing the average for the cluster.

In comparison with Hofstede's cultural clusters, according to the classification by Welzel and Inglehart (Table 2), countries from the Confucian, Protestant Europe, Catholic Europe and English Speaking clusters have very good scores on infrastructure indicator, while countries from the Orthodox, Latin American and Islamic clusters fare worse. Especially interesting is the Confucian cluster, which consists of Japan, with the score of 6.2, and Korea with 5.8. Both countries are ranked top ten among the OECD members and top 15 among all of the countries on this index. Countries from the English Speaking cluster are doing averagely among the OECD members, and are underperforming. There are some unexpected underperformers from the Protestant Europe cluster as well, such as Norway, Finland and Denmark, which are all at the bottom half of the OECD scale on this indicator. The Catholic Europe has once more mixed

results, with countries ranging from the Slovak Republic (4.3) to France (6.0). The averages for the three worst faring clusters which are the Orthodox, Islamic and Latin American are 4.85, 4.4 and 4.3 respectively.

If we compare economic clusters based on Welzel and Inglehart (2010), we can see that the countries from the third high-income cluster are again far in front of countries from the second cluster. Out of the first 23 OECD countries on the rankings which all score above 5.0, only Portugal is middle-income country. Portugal is an outlier here, with a score of 5.5. Among the countries with scores below 5.0, there are only three high-income countries and eight middle-income countries. These three high-income countries include Israel, Slovenia and the Czech Republic scoring 4.9, 4.8 and 4.7 respectively. These three countries are obviously very close to the 5.0 threshold. Such results are according to expectations, since the countries with more money can and usually do invest more in the infrastructure.

4.2.4 The World Happiness Index

The 2016 World Happiness Report ranks 156 countries according to the perceived happiness of their population. Some of the OECD countries do exceptionally well on this index. But many of the OECD countries have low scores and some are not even ranked in the top half of the index. These countries include Greece, Portugal and Hungary. Among the 15 countries that have scores above 7.00, the first 13 are OECD countries, followed by 14th Costa Rica and 15th Puerto Rico (World Happiness Report, 2016b). 11 OECD countries have scores between 6.00 and 7.00, 10 OECD countries have scores between 5.00 and 6.00. The first 99 countries have scores above 5.00, and these countries can be viewed as relatively happy. Greece is in the 99th position, with a score of 5.03, and is the last OECD country on the index. The last country on the index is Burundi with a score of 2.91. Out of the 157 countries, 13 OECD countries are in the first decile, which includes 15 countries (top 10%). Out of the 31 countries in the second decile (top 20%), 21 are OECD countries.

If we compare the World Happiness Index results with the cultural clusters according to Hofstede (Figure 5), we can see that the countries in the first cluster are in general doing the best. The first 13 countries on the index are all located in the first cluster, showing its superiority in this index. Only Estonia in the 72nd position and Hungary in 91st are far behind. In this cluster, the average score is 6.99, which is extraordinary, especially when we include that Estonia and Hungary trail so far behind. The average score for the second cluster is 6.38 and countries in this cluster are located between 18th and 57th place on the index. The best of the bunch is Belgium with a score of 6.93 and the worst being Poland with a score of 5.84. In the third cluster, the average score is 5.82, which is lower than the score for Poland in the second cluster. Interestingly, the best scoring country in this cluster is Mexico this time, with a score of 6.78. The worst scorers overall are Greece, Portugal and Turkey which are dramatically lowering the average.

If we compare the World Happiness Index results with the cultural clusters according to Welzel and Inglehart (Table 2), the Protestant Europe cluster has on average the best results, closely followed by the English Speaking cluster. Catholic Europe ranges from Israel with the score of 7.267 to Portugal with 5.123. Estonia and Greece from the Orthodox cluster are the real

underachievers here. This cluster is perceived to be the least happy one. The Confucian cluster is also doing worse than usually, while Latin American cluster is doing relatively well and better than usually. Turkey from the Islamic cluster is also doing very badly with a score of 5.389 and 78th position on the index.

If we compare the World Happiness Index results with the economic clusters based on Welzel and Inglehart (2010), we can see that the countries from the third cluster, with the highest income, are perceived to be the happiest. The first 17 OECD countries ranked on the index are all high-income countries. In the 18th position is surprisingly Mexico, which is a middle-income country. After that, the results are more mixed, but the last five OECD countries are all middle-income. The last high-income OECD country on the rankings is Slovenia with the score of 5.77. Slovenia is on the border between the second and third cluster; therefore, it is really near the middle-income cluster, as well.

4.2.5 The Better Life Index

The Better Life Index, which evaluates and compares the well-being and quality of life, is the last index that I analyze in this thesis. The analysis of this index is different than with previous ones. This index, I do not analyze with scores, but with rankings, due to unavailability of result for absolute scores. The scores for indicators such as housing, income and jobs are available, but total scores for countries are not. The index is also made exclusively out of OECD member states. Therefore, the comparison with the other countries is not possible. Norway, Australia and Denmark are ranked the best, while South Africa, Mexico and Turkey are ranked the worst. Even though I was not able to acquire total scores, it is visible in Figure 11 that the best ranked countries are near the score of 8.00, while South Africa scores just above 3. Approximately one third of the countries score above 7.00, while a third of the countries (11) score below 5.00.

In the rankings' comparison with the cultural clusters according to Hofstede (Figure 5), we can see that countries in the first cluster do better than the second and third. The average position for the 20 countries in the first cluster is 12th, the average ranking for the six countries in the second cluster is 21st place, and the average ranking for eight countries in the third cluster is 30th place out of 38. Member states from the first cluster have in general better quality of life than other OECD members, while countries from the third cluster have in general worse quality of life.

In the rankings' comparison with the cultural clusters according to Welzel and Inglehart (Table 2), countries from the Protestant Europe are ranked the best. Norway, Denmark, Switzerland and Sweden are among top six ranked countries. The last from this cluster is Germany, which is ranked 12th on the index. Therefore, all of the eight countries from this cluster are among the top 12. The second best cluster is the English Speaking cluster. Australia is ranked 2nd and Canada is ranked 5th. The worst rank in this cluster is 17th position by the Ireland. In the Catholic Europe cluster, Luxembourg is best ranked in 13th position. On the other side of the scale is Hungary which is in 32nd place. All of the other countries in this cluster are somewhere in between. Estonia and Greece from the Orthodox cluster are 22nd and 31st respectively, which is on average worse than Catholic Europe countries. The Confucian cluster is just a bit better than Orthodox, with Japan ranked 23rd and Korea 28th. By far the worst clusters are the Islamic

(which includes Turkey in the 36th position) and the Latin America cluster (with Chile in 34th and Mexico in 37th position).

The last comparison is between the index and the economic clusters based on Welzel and Inglehart's (2010). The first 21 countries on the index are all high-income countries from the third cluster. On the 22nd position is Estonia, which is middle-income country. The next six positions are mixed, but from the 29th position onward, all the countries are middle-income countries from the second cluster. Therefore, I can conclude that richer countries are ranked much better than poorer countries on the Better Life Index. The main reason is probably because they can afford to spend more money on housing, education, environment, health and other indicators.

4.2.6 Analysis of correlations and descriptive statistics

In Table 3, we can see some general data on all variables. We can find information and gain insight into the statistics of all eight variables. N represents the number of all countries, which is 34 for all the variables, since there are 34 OECD countries observed. Minimum represent minimum values found in all the variables, while maximum represents the maximum values found in all the variables. Mean is measured for all the 34 countries for each variable separately, and consists of all the scores between minimum and maximum. Standard Deviation in the last column measures if the data points are close to the mean, or spread out over a wide range of values if the standard deviation is high.

Table 3. Variables and descriptive statistics for my analysis

	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of variation
Corruption Perceptions Index	34	35,00	91,00	69,8824	15,60646	0,22334
Index of Economic Freedom	34	53,20	81,60	71,1971	6,49790	0,09127
GCI - Institutions	34	3,30	6,10	4,8029	0,86322	0,17973
GCI - Infrastructure	34	4,20	6,30	5,3412	0,61650	0,11542
World Happiness Report	34	5,03	7,53	6,6054	0,78983	0,11957
Better Life Index	34	1,00	37,00	17,7941	10,43821	0,58661
Power Distance (PDI)	34	11,00	100,00	46,5588	20,11812	0,43210
Individualism	34	18,00	91,00	60,1765	20,04158	0,33304

Source: Own analysis, see Appendix A.

I have calculated simple Pearson pairwise correlations between all the scores on the indices. The correlation does not show the influence of one variable on another, but only connection between the two. Table 4 shows the pairwise correlations between all the scores in a correlation matrix. In Table 4, we can see that all correlations are statistically significant correlations ($p<.05$), with 16 being positive and 12 having negative correlations. We also have to interpret the strength of the correlation. If the correlation value is 0.00 to 0.30, the strength of correlation is relatively weak. 0.31 to 0.50 means that the correlation is moderate, 0.51 to 0.80 means that correlation is quite strong, above and 0.81 means that correlation is very strong. Majority of the correlations in the Table 4 are strong, or very strong

Table 4. Pair-wise Pearson correlation coefficients' matrix between specific indicators and cultural dimensions

	CPI score	*IEF score*	*GCI instit*	*GCI infra*	*WHI score*	*Better Life*	*PDI*	*Indiv.*
CPI score	1							
IEF score	0,715071075	1						
GCI instit	0,956011237	0,707726632	1					
GCI infra	0,622240917	0,39807532	0,602213428	1				
WHI score	0,728037754	0,658581241	0,704908169	0,417229682	1			
Better Life	-0,845840415	-0,592571523	-0,787705475	-0,602185778	-0,804303088	1		
PDI	-0,668149829	-0,568631445	-0,688997306	-0,447802714	-0,607238447	0,625674967	1	
Indiv.	0,550560423	0,451472688	0,504254142	0,397691601	0,515909167	-0,704665223	-0,511992756	1

Source: Own analysis, see Appendix A.

The CPI score and the IEF score have a correlation of 0.72, meaning that there is a strong positive correlation between the two. The correlation value of the CPI and the GCI institutions index is even higher (0.96), meaning that there is a very strong positive correlation. The correlation between the CPI and the GCI infrastructure index is 0.62, meaning that there is a strong positive correlation. The correlation between the CPI and the WHI is 0.72, which is again a strong positive correlation. The CPI has a very strong negative correlation with the Better Life Index (with the value of -0.85). It also has a strong negative correlation with the PDI, with the value of -0.67. The last CPI's correlation is with Individualism with which it has a strong positive correlation of 0.55.

The IEF and GCI institutions index have a strong positive correlation of 0.71. The IEF and the GCI infrastructure index have a moderate correlation of 0.40. The correlation between the IEF and the WHI is strong and positive with the value of 0.66. The correlation between IEF and the Better Life index is strong and negative, with the score of -0.59. The IEF's correlation with PDI is -0.57, which is strong and negative, and IEF's correlation with Individualism is 0.45, which is moderate and positive. The pairwise correlation between GCI institutions index and the GCI infrastructure is 0.60 which is strong and positive. The GCI institutions correlation with WHI is 0.70, which is strong and positive. Its correlation with the Better Life index is -0.79, which is strong and negative. The GCI institutions index correlation with the PDI is -0.69, which is strong and negative, and its correlation with Individualism is 0.50, which is moderate and positive. The GCI infrastructure index's correlation with WHI is 0.42, which is moderate and positive. Its correlation with the Better Life index is -0.60, which is strong and negative. It also has moderate negative correlation with PDI (-0.45) and moderate positive correlation with Individualism (0.40). WHI's correlation with the Better Life index is -0.80, which is strong and

negative. It's correlation with the PDI is -0.61, which is strong and negative, and its correlation with Individualism is 0.52, which is strong and positive. The Better Life index has a pairwise correlation value of 0.63 with PDI, which is strong and positive, and correlation value of -0.70 with Individualism, which is strong and negative. Interesting is that CPI score has only strong or very strong correlations with all other indices and variables. Another one with only strong or very strong correlations is the Better Life Index. It is relevant to inspect the positive and negative values on the matrix to have a deeper insight into the connection between indices.

5 DISCUSSION OF THE RESULTS

Certain clusters in all three classifications scored better in general. Analyzing Hofstede's cultural clusters, the first cluster always had the best scores and rankings on average, while the second cluster was always second best, although it was often closely followed by the third cluster. Generally speaking, while one can observe large differences between the first and second clusters, the difference between the second and third was often quite small. On average, countries from the first cluster fared much better than the rest of the OECD member states. Analyzing Welzel and Inglehart's cultural clusters, the Protestant European cluster of countries were ranked the best on average, while countries from the English Speaking cluster were ranked second best. Catholic Europe was the most diverse cluster, with quite varying results. The Confucian cluster did very well on some indices, but fared badly on others. The Orthodox cluster was mostly far worse than other clusters, except the Latin America and Islamic clusters, which were almost always ranked the worst. Analyzing Welzel and Inglehart's economic clusters, the results were also as anticipated. Richer countries from the third cluster are on average doing much better than the middle-income countries from the second cluster across all of the indices.

We can also see that the countries which have the best economies also have high Individualism and low PDI scores, meaning that they come from the first cluster according to Hofstede's classification. They also mainly come from the Protestant Europe, English Speaking, Confucian, and majority of the Catholic Europe clusters according to Welzel and Inglehart classification. Since all the countries from the Protestant Europe and English Speaking clusters according to Welzel and Inglehart are in the first cluster according to Hofstede, it is logical that there are similar results when analyzing scores of indices for these cultural clusters. I also found out that clusters with countries that have higher secular-rational values than traditional values and which have higher self-expression values than survival values, are richer and have higher GDP per capita, as can be seen from Figure 6, on p. 27. Some countries like Australia, Canada, Denmark, Sweden and Switzerland are regularly ranked in the top across all of the indices.

Table 3 and Table 4 are appropriate for summing up and showing the results regarding the indices and their pair-wise correlations. More than half of the correlations are positive, showing us that the compared variables usually move in the same direction. But if we exclude the Better Life Index and PDI, all the correlation values are positive. On the other hand, the Better Life Index and PDI are negatively correlated with all the others, and positively correlated with each other. Therefore, I can conclude that only these two truly differ from the other indices. The majority of correlations between indicators are strong, or very strong. It means that there is a

strong linear relationship between the variables. The strongest positive correlation of 0.96 is between the Corruption Perceptions Index score and score of Institutions from Global Competitiveness Index. That can be explained with the fact that most of the data for the Institutions pillar is taken from the Corruption Perceptions Index itself, since institutions usually considerably affect corruption. The strongest negative correlation of - 0.85 is between the Corruption Perceptions Index score and the Better Life Index score. The major reason for this very strong correlation is that some data for the Better Life Index is also taken from the Corruption Perceptions Index, but also that corruption significantly influences people's lives.

6 IMPLICATIONS AND RECOMMENDATIONS

Governments should better exploit the data from these indices and use them for policy making. These indices prove that less corruption, better rule of law, more freedom in economic and social policies, business freedom, quality infrastructure and independent institutions can significantly improve the lives of people and development of countries. Therefore governments and their policies should move in that direction by fighting the corruption, supporting strong and independent institutions, enabling companies to operate freely on the market and developing adequate infrastructure. However, they should be aware of the cultural differences and adapt policies to fit specific socio-cultural contexts. Political parties should use this data to display the advantages of these ideals to the people, to show them how such ideals helped more developed countries prosper and to persuade them to accept similar policies and way of thinking.

Businesses, which usually flourish with the implementation of such measures must also try to influence and educate people through their channels. They must encourage them to think critically and make sensible conclusions, just like political parties should do. But businesses should also try to influence the government, by showing it how they can thrive and subsequently stimulate the economy in such conditions. They should persuade governments with the help of practical cases from the most developed countries which have already implemented these policies.

The institutions that create these indices should try to promote them to wider population. They can do that by making them simpler and more understandable to common people and by being visible in different media. They can also work together with schools and education institutions to teach younger generations about such data and its benefits. Presentations on high schools, faculties in companies and on other institutions can increase awareness and recognition. It can especially be useful for people educating themselves in the fields of business, economics, politics and social sciences.

What people in the modern world also need to understand is that data and statistics can easily be manipulated and misstated to show almost any desirable results. There are many risks of such data being used inappropriately, or misunderstood in terms of what they actually measure and how "objective" those measurements really are. Governments, especially in the poorer parts of the world, are often those manipulators and their information should not be taken for granted. Every piece of information should be taken with some skepticism until proven correct. Different world-famous non-governmental and intergovernmental organizations are usually more

trustworthy, but their data should also not be taken as pure gold. Even they can make mistakes or manipulate statistics and information, due to external factors and pressures. Because of that, people should be educated about such possibilities, once again by institutions.

Therefore, governments, parties, organizations, institutions and other policy makers with power should be critical towards all kinds of data and should be prepared to offer multiple credible solutions. These solutions have to be adjusted to specific local nations or groups, due to many other factors like economic development, laws and culture which can affect those groups. Still, governments should try to adapt and imitate some policies from the countries that are best ranked in the indices used in this thesis and many others. This will allow them to decrease the chances of different kinds of risks, attracting companies and foreign direct investment and improving the lives of its people.

CONCLUSION

I started this master's thesis by defining several significant terms such as culture and economic development. After examining the most prominent academics in the field, I turned to OECD countries and classified them into cultural groups. I compared those groups with economic development of these countries. The main part of the thesis was studying five specific indices and then analyzing and comparing their results with the cultural clusters. In the end, I presented the results and provided recommendations for governments, businesses, institutions and people.

The purpose of this thesis was to understand how cultural backgrounds and biases can impact (subjective) indicators of economic development, thus impacting the final rankings of countries' economic development. I selected the most appropriate indices and indicators which are more subjective in different reports/rankings, and hence more prone to the impact of cultural backgrounds and biases. One of my objectives was to determine how objective various economic development rankings actually are. The chosen indices and indicators proved to be moderately or very subjective, especially the Corruption Perceptions Index, World Happiness Index and GCI's Institutions and Infrastructure indicators.

I found out that certain cultural clusters include countries that are much more economically developed. These countries were always in the best, high income economic cluster. On the other hand, many of the cultural clusters included countries which were all in the middle income economic cluster. With this I found out that there is a strong link between culture and economic development indicators among OECD countries. Therefore I conclude that there is a significant degree of overlap between the cultural and economic clusters.

With this I also completed the main objective of this thesis, by proving that culture has an influence on economic development indicators of countries. The strong link between cultural groups and development proved that. Certain cultural clusters included countries which scored much better on majority of the indices than countries from other cultural clusters. It could be said that many cultural clusters mirrored their results from one index to another and that studied countries achieved similar ranks on these indices of economic development. Nevertheless, there are many other factors that could have had an impact on these results and culture should not be taken as an only determinant of economic development.

SUMMARY IN SLOVENE

Kaj naredi eno državo ekonomsko razvitejšo od druge? Na to vprašanje obstaja veliko odgovorov, vendar se pričujoče delo osredotoča na vlogo kulture oziroma natančneje kulturnih odstopanj pri različnih kazalnikih gospodarskega razvoja v državah, ki so članice OECD (Organizacija za ekonomsko sodelovanje in razvoj). Prepoznavanje kulturnih dejavnikov in njihov vpliv na gospodarstvo sta še vedno v povojih in lahko potencialno prineseta izredne spremembe pri družbeno-gospodarskem razvoju držav. Zgodovina je pogosto zelo pomemben dejavnik sedanjega gospodarskega razvoja (Tabellini, 2010). Zato je skupaj z institucijami tesno povezana s temo mojega magistrskega dela. Med institucijami in kulturo obstaja tako imenovani »feedback učinek«, saj so medsebojno odvisne (Alesina & Giuliano, 2013). Zgodovinske institucije so imele ogromen vpliv na države in njihov razvoj – recimo na konferenci v Bretton Woodsu, ki je potekala leta 1944, so bile ustvarjene nove institucije, ki so oblikovale povojni gospodarski red in močno vplivale na razvoj sveta (Unsustainable goals, 2015). Sama *kultura* pa je pogosto uporabljena beseda, ki jo mnogi ljudje po vsem svetu opredelijo po svoje. Veliko ljudi jo razume kot »način življenja«, ki vpliva na vse, vključno z razvojem držav (Adams, 2001). Obstaja splošna potreba po razumevanju te besede, med drugim tudi v zvezi z gospodarskim razvojem (Kottak, 1990). V magistrskem delu sem obravnaval kulturne pristranskosti različnih kazalnikov gospodarskega razvoja, ki so po značaju subjektivni.

Pri tem sem se omejil le na države članice OECD, saj so te na splošno dobro razvite, hkrati pa obsegajo različne kulture in se lahko razdelijo na različne kulturne skupine, ki tvorijo ozadje moje raziskave. OECD je mogoče opredeliti tudi kot forum za razvite države, ki išče odgovore na splošne probleme in vprašanja s področja ekonomije, okolja in družboslovja. V delu raziskujem tudi dela akademikov in organizacij, povezanih z raziskavami na področju kulture in različnih kulturnih tipologij, kot so Geert Hofstede, Shalom Schwartz, Ronald Inglehart, Christian Welzel in Viviana A. Zelizer. Hofstedejeva dela so bistvenega pomena za moje raziskave, saj je njegov 6-dimenzionalni kulturni okvir nacionalne kulture zelo primeren za primerjavo medkulturnih razlik med državami. Glede na raziskave različnih akademikov sem države razdelil v skupine, ki so del različnih kulturnih sistemov. Te skupine se lahko nato medsebojno primerjajo po posameznih gospodarskih kazalcih, s čimer se oceni stopnjo prekrivanja med njimi. Pri tej primerjavi so mi bili v veliko pomoč Welzelovi in Inglehartovi modeli. V raziskavo nisem vključil Latvije, najnovejše članice OECD, ki je k omenjeni organizaciji pristopila julija 2016, ko je bilo to delo že v večji meri napisano.

Obstaja veliko različnih načinov za merjenje gospodarskega razvoja držav in indeksov, ki poskušajo razložiti, kako države napredujejo ali se s časom spreminjajo. Te indekse in njihove kazalnike se običajno jemlje kot samoumevne in povsem objektivne, čeprav malo ljudi dejansko razume, od kod prihajajo podatki in kako se merijo. Štejejo se za popolnoma objektivne, ker jih naredijo priznane organizacije. Toda gospodarski razvoj je lahko tudi zelo subjektivna kategorija. Lestvice in rezultati pogosto niso odvisni samo od makroekonomskih podatkov, ampak tudi od mnenj in dojemanj ključnih informatorjev v navedenih državah. To še posebej velja v primerih, ko kultura vpliva na subjektivne ocene teh kazalnikov. To pomeni, da je veliko priznanih kazalnikov v resnici subjektivnih in da rezultati ne izhajajo iz objektivnih oziroma preverljivih podatkov, temveč so ustvarjeni na podlagi mnenj in osebnih sodb. Zato

sem za potrebe pričujočega dela najprej ugotovil, kateri indeksi in kazalci so najprimernejši, in jih nato analiziral v povezavi s kulturnim ozadjem preučevanih držav.

Prav tako je pomembno, da pogledamo povezavo med različnimi koncepti, kot so kultura, institucije, politika, ekonomska svoboda in razvoj. To je razlog, zakaj sem se osredotočil tudi na institucionalno ekonomijo in teorije ekonomske sociologije, ki poskušajo pojasniti povezavo med kulturo in gospodarskim razvojem. Starejše rezultate kazalcev bolj malo primerjam z novejšimi, saj je kultura relativno stabilna in se ne spreminja hitro, temveč zelo počasi (Williams, 2007).

Namen mojega magistrskega dela je razumeti, kako lahko kultura in njena odstopanja vplivajo na kazalce gospodarske razvitosti, kar posledično vpliva na končno uvrstitev držav na lestvicah gospodarskega razvoja in konkurenčnosti. Najprej sem ugotovil, kateri indeksi in kazalci so subjektivnejši v teh poročilih/lestvicah in s tem bolj nagnjeni k vplivu kulturnih okolij in pristranskosti. Nato sem primerjal prekrivanje med različnimi kulturnimi skupinami in posebnimi kazalniki gospodarskega razvoja ali – bolje rečeno – skupine držav glede na te kazalce. Osrednji cilj tega magistrskega dela je ugotoviti, ali ima kultura (velik) vpliv na kazalce gospodarskega razvoja v državah in kako se različne kulturne skupine v preučevanih državah zrcalijo na različnih ravneh. Drugi cilj pričujočega dela je ugotoviti, v kolikšni meri so različni kazalci, ki vplivajo na gospodarski razvoj, dejansko objektivni. Tretji cilj je odkriti, kako globalizacija vpliva na kulturo in kakšne posledice ima to za socialno-ekonomski razvoj. Četrti cilj je oceniti stopnjo prekrivanja med različnimi kulturnimi in ekonomskimi skupinami držav.

V pričujočem magistrskem delu sem uporabil le podatke iz sekundarnih virov. Večina teh se nahaja v različnih knjigah in člankih ter tudi na spletnih mestih in v podatkovnih zbirkah uglednih organizacij in podjetij, kot so Svetovni gospodarski forum (WEF), Svetovna banka (WB), Združeni narodi (ZN), The Economist in Transparency International. Veliko informacij v zvezi s kulturo temelji na različnih kulturnih tipologijah ter raziskavah in rezultatih iz teh (npr. Hofstedejevi rezultati).

V prvem delu magistrskega dela sem predstavil in opredelil kulturo na različne načine, kot so jo predstavili številni avtorji. Ena izmed enostavnejših in najrazumljivejših opredelitev kulture pravi, da je to beseda, ki jo sicer uporabljamo v vsakdanjem življenju, vendar če vprašamo ljudi, da jo opredelijo, lahko dobimo nešteto različnih opredelitev. Kultura je povsod okoli nas, vendar jo je še vedno pogosto težko razumeti in konceptualizirati (Rašković & Kržišnik, 2010). Lahko pa jo preprosto opredelimo kot celoten način življenja (Barker, 2004, str. 44). V okviru svojega magistrskega dela se torej osredotočam na raziskovanje kulture in medkulturno primerjavo v državah OECD. Zato je pomembno razumeti tudi nacionalno kulturo.

Velik pomen imajo tudi globalizacija in njeni vplivi na kulturo. Mnogi trdijo, da globalizacija spreminja kulture po vsem svetu, ker jih združuje in vodi do končne konvergence (Levitt, 1983). Kultura postaja vedno manj odvisna od ozemelj, po drugi strani pa so prodori elementov iz drugih kultur vedno pogostejši. To se kaže v hibridizaciji in kulturnem pluralizmu (Berry, 2008). Člani različnih kulturnih skupin se gibljejo med državami in prenašajo svoje kulturne značilnosti na druge, kar počasi vpliva na kulturo te države. Takšno prepletanje povzroči prodiranje ene kulture v drugo (Andreasen, 1990). Fuzija različnih elementov nedvomno bogati in spreminja kulturo prejemnika. Ampak večina akademikov, kot sta recimo Williams (2007) in Zelizer (2011), verjame, da se kultura zelo počasi spreminja in da so takšni premiki po navadi

motivirani in namensko povzročeni s strani določenih skupin. Pogosto se takšne spremembe dogajajo le ob eksternih šokih.

Pomemben vpliv na kulturo imajo tudi trgovina in gospodarski odnosi med državami. To so zelo močni dejavniki, ki vplivajo na kulturne spremembe in so imeli ključno vlogo tudi v zgodovini človeštva. Ljudje so namreč trgovali že v času prvih civilizacij in uvajali lastno kulturo na gostitelja prek svojih izdelkov, storitev in vedenja (Curtin, 1984). Tako je denimo uvoz hrane iz drugih držav temeljito spremenil prehranjevalne navade domačega prebivalstva, medtem ko so oblačila in drugi produkti povzročili spremembo tega, kaj ljudje nosijo in uporabljajo v vsakdanjem življenju. Še en izrazito močan dejavnik, ki vpliva na kulturo, je imigracija. Ljudje zaradi različnih razlogov, kot sta recimo delo v tujini ali dopust, vedno pogosteje potujejo. Včasih se hitro prilagodijo novim kulturam, vendar še vedno delno implementirajo značilnosti svoje lastne na lokalno kulturo. Ravno zaradi prepletanja kultur je danes ljudem lažja vključitev v tuje kulture.

Še en pomemben pojem, ki ga razlagam v magistrskem delu, je gospodarski razvoj. Slednji se nanaša na stopnjo napredka in razvitosti gospodarstva. Pogosto se ga povezuje z gospodarsko rastjo, vendar mnogi akademiki, kot sta Thanawala (1990) in Malecki (1997), poudarjajo, da se *gospodarski razvoj* razlikuje od besedne zveze *gospodarska ras*t. Gospodarska rast je pojav, ki je posledica splošne rasti produktivnosti BDP, vendar pa to ne vodi nujno k izboljšanju kakovosti življenja. Ko države stremijo k doseganju visoke gospodarske rasti, vendar ob tem zanemarijo socialne in okoljevarstvene cilje, so lahko rezultati slabi za blaginjo, počutje in na splošno življenje ljudi. Vseeno pa gospodarska rast v večini primerov koristi človeku, saj uporabljajo gospodinjstva večje prihodke, da izboljšajo svoje standarde, zdravje, izobrazbo in način življenja.

Na kulturo in ekonomski razvoj imajo zelo močan vpliv institucije (ustanove). Williams (2007) in Scott (2001) opredeljujeta institucije kot družbeno zgrajene objekte. Alesina in Giuliano (2013) pa pojasnjujeta, da obstaja med kulturo in institucijami močan medsebojni učinek, saj se skupaj razvijajo. Pravzaprav se v kontekstu družbene menjave lahko kultura obravnava kot institucija, tako kot so tudi podjetja in trgi na nek način videti kot institucije. Razlog za to je, da so institucije družbeno konstruirane strukture, ki regulirajo obnašanje ljudi s kombinacijo obveznosti, prisile in medsebojnega razumevanja (Scott, 2001). Institucije se lahko bistveno razlikujejo v posameznih državah in regijah po svetu. Pogosto se obravnavajo kot pomemben dejavnik gospodarskega razvoja. North (1990) se je vprašal, zakaj revnejša gospodarstva enostavno ne uvedejo priznanih in uspešnih institucij, ki prinašajo blaginjo razvitim državam. Odgovor je našel v kulturnih razlikah, ki vplivajo na izvajanje in izvrševanje institucij, saj nobena institucija ne deluje enako učinkovito v različnih kulturnih okoljih. Feldmann (2004) vztraja, da so institucije, ki so nastale v zahodnem svetu, v zadnjih nekaj stoletjih glavni razlog za dvig življenjskega standarda in blaginjo prebivalstva.

Eden najbolj znanih raziskovalcev kulture in njenih tipologij je akademik Geert Hofstede. Hofstede ni bil prvi, ki je izvajal medkulturne primerjalne raziskave, toda njegovo delo je uspelo postaviti medkulturno analizo na čelo mednarodnih poslovnih ved in raziskovanja. Najprej je naredil štiridimenzionalni model nacionalne kulture, pozneje pa ga je razširil na pet- in šestdimenzionalni model. Njegove dimenzije uporabljam za ustvarjanje in opredelitev kulturnih skupin ter njihovo primerjavo. Drugi znani akademiki na tem področju so Edward T. Hall, Shalom H. Schwartz, Ronald F. Inglehart in Christian Welzel. Poleg Hofstedeja sem uporabil

tudi Inglehartove in Welzelove raziskave, in sicer za ustvarjanje kulturnih in ekonomskih skupin, katere sem lahko primerjal med seboj.

Indeksi in kazalci, ki sem jih vzel za raziskavo v magistrskem delu, so bili izbrani na podlagi štirih meril. Prvo merilo je, da so dobro znani in prepoznavni po vsem svetu. Splošna javnost, akademiki, študenti, oblikovalci politik in poslovneži iz različnih držav in celin so z njimi seznanjeni in jih uporabljajo za različne namene (v smislu primerjanja držav). Drugo merilo je, da so enostavno dostopni, kar tudi so, saj so na voljo na medmrežju, kjer so brezplačni. Do njih je težje dostopati le v državah, kjer vlade omejujejo svobodo spleta in dostopa do informacij, vendar to ne velja v večini držav in še zlasti ne za OECD. Tretje merilo je, da so ustvarjeni s strani uglednih mednarodnih institucij in da so objavljeni z visoko verodostojnostjo v mednarodni skupnosti. Njihove metodologije so pregledne in informacije o zbiranju podatkov so na voljo javnosti. Njihove informacije se štejejo za zanesljive in točne. Četrto in zadnje merilo je, da so razmeroma subjektivne narave. Niso odvisni samo od makroekonomskih in drugih vrst »čvrstih« podatkov, ampak temeljijo na raziskavah in stališčih ključnih informatorjev. Mnogi od teh kazalnikov so ocenjeni z zbiranjem občutkov in stališč izbranih ljudi. To sicer lahko povzroči nekaj težav z zanesljivostjo podatkov in se ne ujema popolnoma s tretjim merilom. Ljudje lahko po nesreči ali namenoma dajo informacije, ki niso prekrivne z realnostjo ali pa je njihov pogled na realnost drugačen. Organizacije, ki izvajajo raziskave, veljajo za neodvisne in nepristranske. To je bil tudi razlog, da sem jih izbral za pričujoče magistrsko delo. Na podlagi teh kriterijev uporabljam naslednjih pet posebnih indeksov: Corruption Perceptions Index, Index of Economic Freedom, Global Competitiveness Index, World Happiness Index in Better Life Index.

Corruption Perceptions Index (CPI) objavlja organizacija Transparency International, ki je nevladna organizacija s sedežem v Berlinu v Nemčiji. Navaja in objavlja poročila ter informacije o družbeni in politični korupciji v različnih državah sveta. Njihova vizija je svet, v katerem ljudje živijo brez kakršne koli korupcije. To je organizacija, ki je prisotna v več kot 100 državah po svetu, je neodvisna in politično nestrankarska, čeprav sodeluje z vladami, podjetji ter drugimi organizacijami in ljudmi. CPI meri zaznavano stopnjo korupcije v javnem sektorju v državah po vsem svetu. Indeks 2015 je bil objavljen v začetku leta 2016 in vključuje podatke iz 168 držav in ozemelj. Vsaka prejme oceno med 0 in 100, ki temelji na tem, kakšna je percepcija pokvarjenosti v državi. Državam, ki so bližje številki 100, gre bolje v boju proti korupciji, medtem ko so države, ki so bližje 0, v večjih težavah. Drug način za ogled stopnje korupcije je po barvi sistema kodiranja na zemljevidu na spletni strani organizacije. Temno rdeča barva prikazuje države, v katerih je korupcija zelo visoka, medtem ko se države, pobarvane s svetlejšo rumeno barvo, dojema kot tiste z bistveno manj korupcije, vendar so še vedno daleč od popolnih. Namreč ni države, ki bi bila brez korupcije. Približno dve tretjini držav na svetu je rdeče označenih, kar pomeni, da predstavlja korupcija v njih velik problem. Tudi polovica držav G20 je med njimi (Transparency International, 2016d). Med članicami OECD so številne države rdeče ali oranžne barve, vendar so uvrščene relativno dobro v primerjavi z drugimi državami po vsem svetu. Najvišje in najboljše ocene dosegajo nordijske države, najslabše rezultate pa imajo določene države v Afriki in Aziji. Ertimi in Saeh (2013) poudarjata, da korupcija na splošno negativno vpliva na gospodarsko rast.

Index of Economic Freedom objavlja organizacija The Heritage Foundation v sodelovanju z revijo The Wall Street Journal. Index meri vpliv prostih trgov in gospodarske svobode v odnosu do gospodarskega razvoja in napredka držav na svetu. Indeks uporablja podatke s področij, kot

so trgovina, politika, in podjetništvo, in se giblje med 0 in 100 – tam, kjer so države blizu številke 100, so najbolj svobodne, medtem ko so države, ki se gibajo blizu 0, najmanj svobodne. Indeks pokriva deset kazalnikov ekonomske svobode na štirih področjih. Ustvarjalci indeksa trdijo, da je bilo pomanjkanje osebne svobode, ekonomske svobode in priložnosti za posameznike eden od glavnih razlogov za revščino v zgodovini. Delno tudi zaradi večje svobode in številnih priložnosti živimo v času, ko se revščina, nevednost in bolezen umikajo in ljudje v povprečju postajajo bogatejši (The Heritage Foundation, 2016a). Ali (2014) s svojo študijo potrjuje, da ima svoboda pomemben vpliv na gospodarski razvoj. Prepričan je, da osebna svoboda in prost dostop do gospodarskih priložnosti spodbujata rast in da sta gospodarska blaginja in svoboda močno povezani.

Global Competitiveness Report je letno poročilo, ki ga objavlja World Economic Forum (WEF) in vsebuje indeks konkurenčnosti za 140 držav sveta. V indeksu obstaja 12 stebrov konkurenčnosti, ki predstavljajo različna področja, pomembna za konkurenčnost. Za potrebe pričujočega dela sta najpomembnejša stebra institucija in infrastruktura, zato ker sta oba močen predpogoj za gospodarski razvoj in tudi zato, ker sta oba precej subjektivne narave. Za doseganje visoke ocene pri indeksu konkurenčnosti morajo države podpirati kakovostne zasebne in javne institucije ter imeti ustrezno in dobro razvito infrastrukturo.

World Happiness Index je del poročila, katerega objavljajo Združeni narodi. Indeks vsebuje informacije za 156 držav glede na zaznano srečo prebivalstva in preučuje porazdelitev sreče pri regionalnih ter nacionalnih populacijah. Indeks je relativno nov, saj je bil prvič objavljen leta 2012. Sreča je vedno veljala za pomembno merilo resničnega družbenega napredka in človeškega razvoja (World Happiness Report, 2016b). Zato postaja merjenje dobrega počutja vse pomembnejše za organizacije, skupnosti in vlade. Indeks vsebuje šest ključnih spremenljivk. To so: BDP na prebivalca, socialna opora, pričakovana življenjska doba, stopnja svobodne izbire, velikodušnost ljudi ter zaupanje v vlado in odsotnost korupcije. Razvite regije imajo v povprečju neprimerljivo srečnejše prebivalce kot manj razvite regije in države. Sicer pa so ljudje srečnejši tudi v državah, kjer je manjša stopnja neenakosti.

Better Life Index je bil ustvarjen s strani OECD. Indeks vrednoti in primerja kakovost življenja v državah OECD. Poleg 34 starejših držav članic OECD dodatno vključuje tudi novo članico Latvijo in rezultate za Brazilijo, Rusijo ter Južno Afriko. Indeks je bil ustanovljen zaradi zaskrbljenosti, da običajni makroekonomski kazalci, kakršen je recimo BDP, ne pokažejo, kako se ljudje resnično počutijo. Ker se BDP ni izkazal kot dobro merilo za oceno kakovosti življenja, vlade in organizacije iščejo nove načine, kako jo oceniti. Better Life Index meri države glede na 11 dimenzij, ki so bistvenega pomena za kakovost življenja. Te dimenzije vključujejo: (1) nastanitev, (2) dohodek, (3) delovna mesta, (4) skupnost, (5) izobraževanje, (6) okolje, (7) državljansko udejstvovanje, (8) zdravje, (9), zadovoljstvo z življenjem, (10) varnost in (11) uravnoteženost delovnega ter osebnega življenja (OECD Better Life Index, 2016a).

V analitičnem delu pričujočega magistrskega dela sem prvo analiziral tipologije Hofstedeja, Welzela in Ingleharta. Na splošno lahko pri Hofstedeju vidimo, da imajo gospodarsko najbolj razvite države visok individualizem in nizke ocene PDI (Power Distance Index). Države v prvi kulturni skupini so v povprečju ekonomsko veliko razvitejše od držav v ostalih treh skupinah, dosegajo pa tudi boljše rezultate pri večini indeksov. Po Welzelu in Inglehartu pa se najbolj razvite države nahajajo v prvih treh skupinah (English speaking, Protestant Europe in Catholic Europe). Na podlagi njihovih rezultatov sklepam tudi, da so skupine z državami, katerim so

pomembnejše posvetno-racionalne vrednote kot tradicionalne vrednote in ki bolj vrednotijo lastno izražanje od vrednot preživetja, bogatejše in imajo višji BDP na prebivalca. Na splošno so države OECD zelo dobro uvrščene na vseh preučevanih indeksih.

Nekatere skupine pa so v vseh treh klasifikacijah dosegle boljše rezultate. Z analiziranjem kulturnih skupin po Hofstedeju sem ugotovil, da so države iz prve skupine, katerih je tudi največ, dosegle najboljše rezultate med štirimi skupinami. Z analiziranjem kulturnih skupin po Welzelu in Inglehartu sem ugotovil, da so se izmed devetih skupin države iz skupine Protestant Europe v povprečju najbolje uvrščale na različnih kazalnikih, druga najboljša skupina pa je bila English Speaking. Catholic Europe je bila najbolj raznolika skupina z zelo različnimi rezultati od države do države. Skupini Islamic in Latin America sta se odrezali daleč najslabše, saj sta pri večini kazalnikov zaostajali daleč za povprečjem ostalih OECD držav. Pri analiziranju treh ekonomskih skupin po Welzelu in Inglehartu so bili rezultati povsem pričakovani – bogatejši člani iz tretje skupine držav so se glede vseh indeksov v povprečju uvrstili veliko bolje od držav s srednjimi dohodki iz druge skupine. Nekatere države, kot so Avstralija, Kanada, Danska, Švedska in Švica, pa se redno uvrščajo v sam vrh vseh indeksov.

Analiziral sem tudi različne kazalnike in jih medsebojno primerjal. Več kot polovica korelacij med njimi je pozitivnih, kar nam kaže, da se primerjane spremenljivke običajno gibljejo v isto smer. Če izvzamemo Better Life Index in PDI spremenljivke, so vse korelacijske vrednosti pozitivne. Zato lahko sklepamo, da se le ti dve spremenljivki resnično razlikujeta od drugih. Večina korelacij med kazalniki je močna ali zelo močna. To pomeni, da obstaja močno linearno razmerje med spremenljivkami. Najmočnejša pozitivna korelacija je 0,96, in sicer med Corruption Perceptions Indexom in rezultatom institucij iz Global Competitiveness Indexa. To je mogoče pojasniti z dejstvom, da je večina podatkov za steber institucije vzeta iz samega Corruption Perceptions Indexa, saj institucije po navadi bistveno vplivajo na korupcijo. Najmočnejša negativna korelacija (–0,85) pa je med Corruption Perceptions Indexom in rezultatom Better Life Indexa.

Menim, da bi morale vlade bolje izkoristiti podatke iz teh indeksov in jih uporabiti za oblikovanje politike, kajti omenjeni indeksi dokazujejo, da lahko manjša korupcija, boljša pravna država, večja svoboda pri ekonomskih in socialnih politikah, svobodnejše poslovanje, kakovostna infrastruktura in neodvisne institucije bistveno izboljšajo življenje ljudi ter sam razvoj države. Zato bi se morale vlade in njihove politike premikati v smeri, kjer bi se borile proti korupciji, podpirale močne in neodvisne ustanove, podjetjem omogočale svobodno delovanje na trgu in razvijale ustrezno infrastrukturo. Vendar pa se morajo zavedati kulturnih razlik in se temu prilagoditi. Podjetjem po navadi takšno razvito okolje ustreza, zato si morajo tudi ona prizadevati, da pozitivno vplivajo na ljudi. Toda ob tem se morajo truditi tudi, da vplivajo na vlado, da lahko ta s kakovostnim vodenjem države in pravilnimi politikami spodbudi gospodarstvo. Vlado morajo prepričati s pomočjo praktičnih primerov iz najbolj razvitih držav, ki že izvajajo takšno politiko. In pa tudi same institucije, ki ustvarjajo te indekse, se morajo približati širši populaciji in ji predstaviti njihove prednosti. Morajo postati še prepoznavnejše, kar lahko naredijo z oglaševanjem v medijih in s sodelovanjem z različnimi izobraževalnimi ustanovami, kot so šole. Mislim, da bi morale vlade poskušati delno prilagoditi in nato posnemati nekatere politike iz držav, ki so najbolje uvrščene v opisanih indeksih. To bi jim omogočilo, da zmanjšajo možnosti različnih vrst tveganj, privabijo tuja podjetja in investicije, spodbudijo ustvarjanje lastnih in na sploh izboljšajo življenja prebivalcev.

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APPENDIXES

TABLE OF APPENDIXES

Appendix A. OECD country scores

MEMBERS	Income	CPI score	IEF score	GCI instit	GCI infra	WHI score	Better Life	PDI	Indiv.
Australia	H	79	80.3	5,3	5,7	7,313	2	36	90
Austria	H	76	71.7	5,2	5,7	7,119	15	11	55
Belgium	H	77	68.4	5,2	5,5	6,929	14	65	75
Canada	H	83	78.0	5,4	5,7	7,404	5	39	80
Chile	M	70	77.7	4,6	4,6	6,705	34	63	23
Czech Republic	H	56	73.2	4,1	4,7	6,596	21	57	58
Denmark	H	91	75.3	5,5	5,5	7,526	3	18	74
Estonia	M	70	77.2	5,0	4,9	5,517	22	40	60
Finland	H	90	72.6	6,1	5,4	7,413	8	33	63
France	H	70	62.3	4,8	6,0	6,478	18	68	71
Germany	H	81	74.4	5,2	6,1	6,994	12	35	67
Greece	M	46	53.2	3,7	4,8	5,033	31	60	35
Hungary	M	51	66.0	3,5	4,5	5,145	32	46	80
Iceland	H	79	73.3	5,3	5,6	7,501	10	30	60
Ireland	H	75	77.3	5,5	5,3	6,907	17	28	70
Israel	H	61	70.7	4,4	4,9	7,267	26	13	54
Italy	H	44	61.2	3,4	5,4	5,977	25	50	76
Japan	H	75	73.1	5,5	6,2	5,921	23	54	46
Korea	H	56	71.7	3,9	5,8	5,835	28	60	18
Luxembourg	H	81	73.9	5,8	5,7	6,871	13	40	60
Mexico	M	35	65.2	3,3	4,2	6,778	37	81	30
Netherlands	H	87	74.6	5,6	6,3	7,339	11	38	80
New Zealand	H	88	81.6	6,0	5,2	7,334	7	22	79
Norway	H	87	70.8	5,8	5,0	7,498	1	31	69
Poland	M	62	69.3	4,1	4,3	5,835	27	68	60
Portugal	M	63	65.1	4,4	5,5	5,123	29	63	27
Slovak Republic	M	51	66.6	3,4	4,3	6,078	24	100	52
Slovenia	H	60	60.6	3,9	4,8	5,768	20	71	27
Spain	H	58	68.5	3,9	5,9	6,361	19	57	51
Sweden	H	89	72.0	5,6	5,6	7,291	6	31	71
Switzerland	H	86	81.0	5,8	6,2	7,509	4	34	68
Turkey	M	42	62.1	3,8	4,4	5,389	36	66	37
United Kingdom	H	81	76.4	5,5	6,0	6,725	16	35	89
United States	H	76	75.4	4,8	5,9	7,104	9	40	91
Latvia							30		
Russia							33		
Brazil							35		
South Africa							38		
	High/Middle						Ranking		

Source: World Values Survey, *Findings and Insights*, 2016; Transparency International, *Corruption Perceptions Index 2015*, 2016; The Heritage Foundation, *Country Rankings*, 2016; World Economic Forum, *Global Competitiveness Report 2016-2017*, 2016, p.322.; World Happiness Report, *World Happiness Report*, 2016; OECD Better Life Index, *Index*, 2016; The Hofstede Centre, *Dimensions – Geert Hofstede*, 2016

Appendix B. Hofstede clusters

MEMBERS	Income	CPI score	IEF score	GCI instit	GCI infra	WHI score	Better Life		
Finland	H	90	72,6	6,1	5,4	7,413	8		1st cluster
New Zealand	H	88	81,6	6,0	5,2	7,334	7		
Luxembourg	H	81	73,9	5,8	5,7	6,871	13		
Norway	H	87	70,8	5,8	5,0	7,498	1		
Switzerland	H	86	81	5,8	6,2	7,509	4		
Netherlands	H	87	74,6	5,6	6,3	7,339	11		
Sweden	H	89	72	5,6	5,6	7,291	6		
Denmark	H	91	75,3	5,5	5,5	7,526	3		
Ireland	H	75	77,3	5,5	5,3	6,907	17		
United Kingdom	H	81	76,4	5,5	6,0	6,725	16		
Canada	H	83	78	5,4	5,7	7,404	5		
Australia	H	79	80,3	5,3	5,7	7,313	2		
Iceland	H	79	73,3	5,3	5,6	7,501	10		
Austria	H	76	71,7	5,2	5,7	7,119	15		
Germany	H	81	74,4	5,2	6,1	6,994	12		
Estonia	M	70	77,2	5,0	4,9	5,517	22		
United States	H	76	75,4	4,8	5,9	7,104	9		
Israel	H	61	70,7	4,4	4,9	7,267	26		
Hungary	M	51	66	3,5	4,5	5,145	32		
Italy	H	44	61,2	3,4	5,4	5,977	25		
		77,75	**74,185**	**5,2**	**5,5**	**6,988**	**12**	average	
Belgium	H	77	68.4	5,2	5,5	6,929	14		2nd cluster
France	H	70	62.3	4,8	6,0	6,478	18		
Poland	M	62	69.3	4,1	4,3	5,835	27		
Czech Republic	H	56	73.2	4,1	4,7	6,596	21		
Spain	H	58	68.5	3,9	5,9	6,361	19		
Slovak Republic	M	51	66.6	3,4	4,3	6,078	24		
		62,33333	**68.1**	**4,3**	**5,1**	**6,380**	**21**	average	
Japan	H	75	73.1	5,5	6,2	5,921	23		3rd cluster
Turkey	M	42	62.1	3,8	4,4	5,389	36		
Greece	M	46	53.2	3,7	4,8	5,033	31		
Portugal	M	63	65.1	4,4	5,5	5,123	29		
Chile	M	70	77.7	4,6	4,6	6,705	34		
Korea	H	56	71.7	3,9	5,8	5,835	28		
Slovenia	H	60	60.6	3,9	4,8	5,768	20		
Mexico	M	35	65.2	3,3	4,2	6,778	37		
		55,875	**66.1**	**4,1**	**5,0**	**5,819**	**30**	average	

Source: World Values Survey, *Findings and Insights*, 2016; Transparency International, *Corruption Perceptions Index 2015*, 2016; The Heritage Foundation, *Country Rankings*, 2016; World Economic Forum, *Global Competitiveness Report 2016-2017*, 2016, p.322.; World Happiness Report, *World Happiness Report*, 2016; OECD Better Life Index, *Index*, 2016; The Hofstede Centre, *Dimensions – Geert Hofstede*, 2016

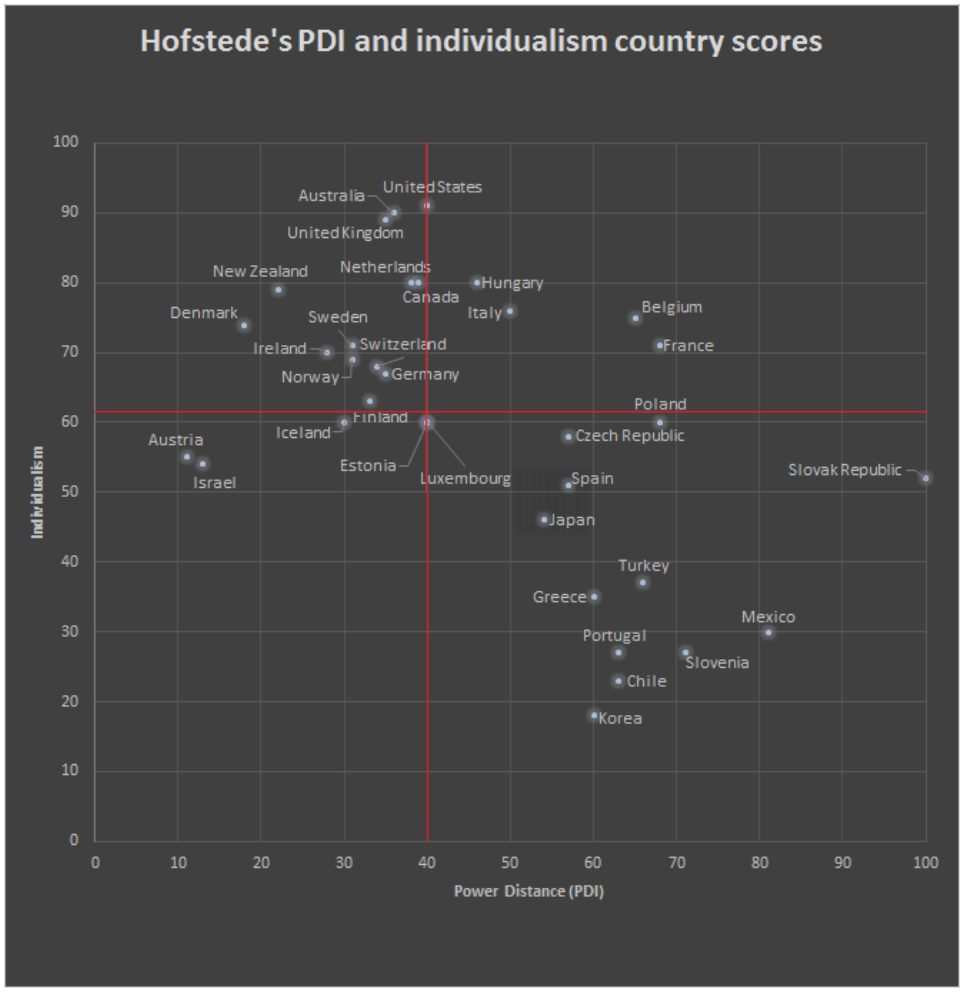
Appendix C. Data on variables in SPSS

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
VAR00001	34	35,00	91,00	69,8824	15,60646
VAR00002	34	53,20	81,60	71,1971	6,49790
VAR00003	34	3,30	6,10	4,8029	,86322
VAR00004	34	4,20	6,30	5,3412	,61650
VAR00005	34	5,03	7,53	6,6054	,78983
VAR00006	34	1,00	37,00	17,7941	10,43821
VAR00007	34	11,00	100,00	46,5588	20,11812
VAR00008	34	18,00	91,00	60,1765	20,04158
Valid N (listwise)	34				

Source: appendix A

Appendix D. Hofstede's cultural clusters distribution according to median value



Source: Based on: The Hofstede Centre, *Dimensions – Geert Hofstede*, 2016