

## **Measuring the Economic Credibility of States - Challenges Illustrated by the Rule of Law Dimension**

*Long abstract (approx. 1200 words + appendix)*

**JEL codes:** K10, K41, K42 (Constitutional L&E, Litigation Process and Law Enforcement)

**Keywords:** economic credibility, rule of law, judicial efficiency, institutional quality, democratic resilience

In the past, a country's economic credibility was assessed almost exclusively based on whether its economic policy supported macroeconomic stability and a predictable business environment. Today, however, there is a growing recognition of the need for a much broader and more nuanced understanding of what constitutes state credibility. It is increasingly viewed as a concept that reflects a state's overall capacity to respond effectively to a range of crises—particularly in what has been termed an era of polycrisis.

The Economic Credibility Index developed by our team seeks to capture this complexity by offering a multidimensional assessment of both the economy and the institutional strength of the state. A decline in a state's economic credibility increases its vulnerability and weakens its resilience to various types of economic shocks. Credibility is shaped not only by the health of the economy itself, but also by the state's institutional architecture and the way it formulates and implements economic and social policy. Accordingly, a comprehensive assessment of economic credibility must consider both the stability of the macroeconomic and business environment, and the extent to which public policy supports the long-term sustainability of democratic governance.

### **Methodology**

The system of indicators presented in the Index is of an interdisciplinary nature, the calculation of which was performed based on 89 indicators sourced from various databases, including: Eurostat, OECD, or the World Bank, and describing eight areas of economic and social life. They are grouped into 8 areas and 33 dimensions.

## **1. Rule of law**

- Efficiency
- Rule of law

## **2. Freedom of economic activity**

- Ease
- Freedom
- Conditions

## **3. Credibility of public finances**

- Perception of fiscal credibility and financial markets
- Condition of public finances
- Quality of fiscal rules and transparency
- Quality and transparency of the tax system

## **4. Financial system stability**

- Approximate
- Stability of money
- Stability of the financial system

## **5. Workplace safety and security**

- Legal protection of employment
- Safety and working conditions
- Non-standard employment
- Engagement in the labour market
- Lifelong learning
- Income from work
- Protection against poverty

## **6. Quality of public services and public infrastructure**

- Education
- Health safety
- Public safety
- E-administration
- Cybersecurity

## **7. Environment**

- Air
- Waste
- Water and
- Resources
- Bio-diversity
- Climate

## **8. Respecting international obligations**

- The EU dimension
- European Court of Human Rights
- Infringement of Community

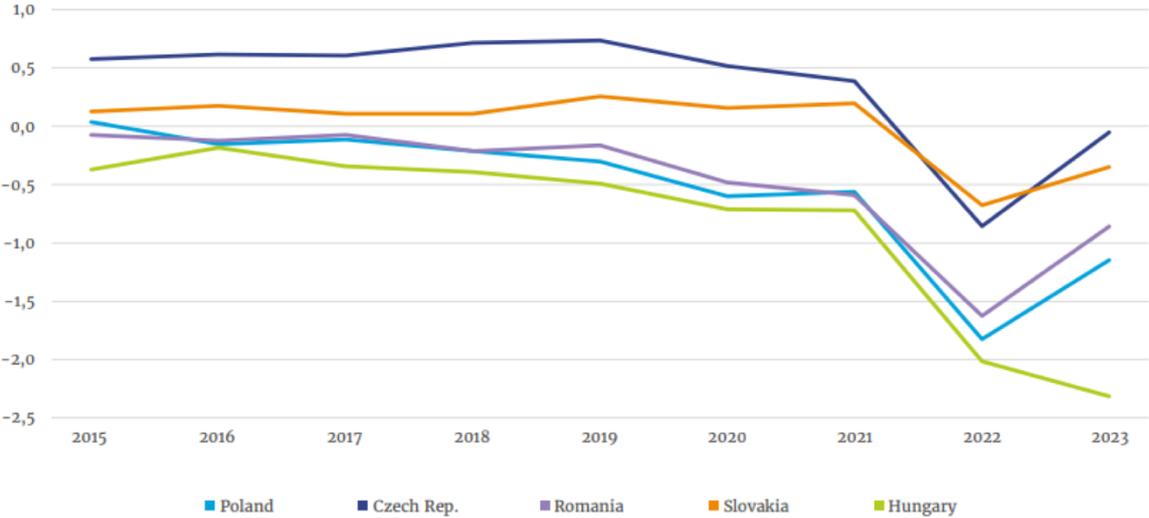
Credibility is not a binary concept (either present or absent); it is a gradable one. Our work assumes that a negative index value indicates a regression relative to the average value from the years 2008–2023 (or, in some cases, a shorter period due to data availability issues). A positive index value signifies an improvement compared to this baseline average, while a value of 0 indicates no observable change. The study covers five Central European countries: Poland, the Czech Republic, Slovakia, Romania, and Hungary. The indicators have been normalized according to the following formula:

$$x' = \frac{x - median}{quarter\ deviation}$$

This made it possible to compare indicators expressed in different units of measurement. The normalized values served as the basis for constructing sub-indices within individual dimensions and areas, which were then aggregated into the final Index.

**Results**

*Chart 1. Total assessment of the state's economic credibility*



Source: Poland's economic credibility index. 3<sup>rd</sup> edition, Kraków 2024.

Table 1. Total assessment of the country's economic credibility

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Poland	0.04	-0.15	-0.11	-0.21	-0.30	-0.60	-0.56	-1.83	-1.15
Czech Rep.	0.58	0.62	0.61	0.72	0.74	0.52	0.39	-0.86	-0.05
Romania	-0.07	-0.12	-0.07	-0.21	-0.16	-0.48	-0.59	-1.63	-0.86
Slovakia	0.13	0.18	0.11	0.11	0.26	0.16	0.20	-0.68	-0.35
Hungary	-0.37	-0.18	-0.34	-0.39	-0.49	-0.71	-0.72	-2.02	-2.32

Source: own study

## Difficulties in Measuring the Economic Credibility of the State: The Case of the Rule of Law

The analysis of a state's economic credibility in terms of the rule of law is typically conducted with reference to the three classical branches of government: the legislative, the executive, and the judiciary. This approach allows for a more comprehensive identification of institutional deficiencies and, importantly, offers access to a relatively robust set of internationally comparable data.

Nevertheless, many crucial aspects resist parametrization (Voigt, S. [2023]. *How (Not) to Measure Institutions. Journal of Institutional Economics*, 9[1], 1–26). For instance, it is difficult to objectively measure the quality of legislation itself, although it is possible to assess the extent to which legislative standards are upheld—such as the treatment of public consultations, which may serve as a proxy for legislative quality. Some analyses examine this aspect in greater detail by indicating not only the share of legal acts that underwent public consultation, but also the percentage of cases in which lawmakers responded to the comments received—though the quality of those responses is harder to quantify.

The same applies to regulatory impact assessments, both *ex ante* and *ex post*. Certain easily measurable indicators can also be difficult to interpret. For example, the duration of the legislative process: on the one hand, a short duration may suggest responsiveness to a rapidly changing environment; on the other, it may reflect a superficial consultation phase. Similarly, the frequency of legal amendments may indicate either legal instability or a sustained effort to improve the quality and relevance of regulations.

It is also challenging to assess judicial rulings in aggregate. However, one can analyze aspects such as timeliness and the duration of enforcement. As with legislation, these indicators are open to misinterpretation. Expedited court proceedings, for instance, might

compromise the pursuit of material truth, and may hinder the ability of individuals—especially those without legal representation—to properly defend their rights. More often, however, excessive delays in judicial proceedings are not the result of deliberate care, but stem from systemic inefficiencies: long scheduling gaps, outdated delivery systems, or procedural loopholes that allow parties to delay cases intentionally. Equally important is the time required to enforce a final ruling. In Poland, for example, bailiffs are not strongly incentivized to efficiently carry out enforcement actions beyond bank account seizures or actions involving visible assets. This undermines the state's economic credibility—because for the party defending its rights in court, what matters most is the total duration of the process, including both the litigation phase (up to the final ruling) and the enforcement stage.

Constitutional issues pose even greater challenges. The Hungarian case demonstrates that a sufficiently large parliamentary majority can procedurally introduce constitutional changes that have profoundly negative effects not only on economic credibility but also on the fundamental principles of democratic governance. This highlights the critical distinction between legality and the rule of law mentioned earlier. Interestingly, governments that undermine constitutional structures often justify their actions by referencing similar legal solutions in other European countries—where such solutions are not subject to criticism. However, these comparisons are notoriously difficult to make in good faith, since the rule of law often depends on the broader context—for example, how a given provision is embedded in a system of checks and balances. Thus, juxtaposing seemingly similar institutional fragments does not necessarily lead to equivalent conclusions about their impact on the economic credibility of the state.

## **Summary**

Despite the challenges, assessing the economic credibility of states is both possible and highly significant. It allows for the identification of threats to the continuity of democratic governance earlier than most other types of analysis. In this sense, it serves as an early warning system—alerting us to problems which, once a difficult-to-pinpoint critical threshold is crossed, may become virtually irreversible (Levitsky, S., & Way, L. [2020]. *Competitive Authoritarianism: Hybrid Regimes after the Cold War*. Cambridge University Press).

## Appendix – Detailed Results of the Individual Components of the Economic Credibility Index

Total assessment of the state's economic credibility for the Rule of Law

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Poland	0.07	0.07	0.00	0.57	0.55	0.26	0.29	0.15	0.01	-0.56	-0.44	-0.40
Czech Rep.	-0.11	-0.09	0.60	1.19	2.18	2.01	2.01	1.83	1.60	1.51	1.79	1.90
Romania	-0.95	-0.95	-0.67	0.23	1.02	0.90	0.90	0.68	0.43	0.51	0.72	0.62
Slovakia	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	0.75	0.38	0.26
Hungary	-1.28	-1.28	-1.57	-1.37	-1.32	-1.62	-1.62	-2.29	-2.39	-2.59	-2.65	-2.76

Total assessment of the state's economic credibility for the area of Freedom of business activity

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Poland	-0.02	-0.12	-0.25	-0.44	-0.41	-0.36	-0.34	-0.94	-0.85
Czech Rep.	1.17	0.95	0.77	0.99	1.17	1.15	0.94	0.98	0.98
Romania	-0.57	-0.71	-0.46	-0.29	-0.34	-0.34	-0.46	-0.77	-0.46
Slovakia	0.08	-0.21	-0.34	-0.47	-0.24	-0.04	-0.26	0.24	0.31
Hungary	0.03	0.13	-0.09	-0.08	-0.45	-0.52	-0.74	-0.92	-0.40

Total assessment of the state's economic credibility for the area: Credibility of public finances

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Poland	-0.19	-0.62	-0.65	-0.65	-0.95	-1.83	-1.20	-2.42	-1.73
Czech Rep.	0.55	0.74	1.03	1.06	0.90	0.52	0.41	0.38	0.38
Romania	0.44	0.23	-0.02	-0.29	-0.39	-0.63	-0.33	-0.65	-0.53
Slovakia	0.32	0.43	0.56	0.50	0.63	0.42	0.41	0.79	0.33
Hungary	-0.78	-0.36	-0.20	0.08	0.09	-0.38	-0.27	-0.76	-0.41

Total assessment of the country's economic credibility for the area Stability of money and tax system

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Poland	-1.58	-0.84	0.38	-0.06	0.30	0.77	0.76	0.87	0.65	0.60	0.33	-0.03	-0.90	-0.81	-6.15	-3.12
Czech Rep.	-1.49	0.66	0.61	0.16	0.04	0.31	0.54	0.60	0.51	0.24	0.53	0.39	-0.23	-0.56	-6.96	-3.05
Romania	-7.26	-0.37	-0.87	-0.43	-0.10	-0.05	0.46	0.43	0.04	0.00	-0.53	-0.42	-1.40	-2.16	-7.14	-3.52
Slovakia	-1.53	-0.24	-0.11	-0.81	-0.52	-0.32	0.01	0.21	0.32	0.00	-0.19	-0.22	-0.41	-0.56	-5.56	-3.26
Hungary	-1.14	-1.09	-0.19	0.15	-0.33	0.32	0.46	0.52	0.35	-0.41	-1.22	-1.27	-1.85	-2.05	-7.97	-9.87

Total assessment of the country's economic credibility for the area of Occupational health and safety

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Poland	0.13	-0.66	-1.41	-1.21	-1.17	-1.09	-1.08	-1.08	-0.91	-0.67	-0.39	-0.21	-0.02	0.27	0.36	0.44
Czech Rep.	0.79	0.38	0.00	0.26	0.35	0.37	0.34	0.25	0.40	0.57	0.48	0.64	0.68	0.86	1.04	1.02
Romania	-0.08	-0.66	-0.59	-0.81	-0.67	-0.59	-0.66	-0.72	-0.46	-0.26	-0.08	0.10	0.13	0.10	0.18	0.23
Slovakia	0.39	-0.03	0.15	0.15	0.09	0.10	0.03	-0.25	-0.16	-0.04	0.23	0.52	0.64	0.92	1.17	1.06
Hungary	0.49	-0.31	-0.53	-0.62	-0.64	-0.64	-0.52	-0.32	-0.09	0.06	0.31	0.15	0.25	0.56	0.67	0.85

Total assessment of the state's economic credibility for the area of Quality of public services

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Poland	0.53	0.49	0.51	0.67	0.57	0.68	0.74	0.68	0.68
Czech Rep.	0.06	0.17	0.09	0.32	0.35	0.43	0.47	0.21	0.19
Romania	-0.29	-0.28	-0.19	-0.08	-0.01	-0.04	-0.23	-0.29	-0.28
Slovakia	-0.13	-0.31	-0.36	-0.11	0.08	0.32	0.30	0.40	0.43
Hungary	-0.48	0.30	-0.39	0.02	0.18	0.19	0.44	0.02	0.05

The value of the state's economic credibility index for the Climate and Environment area

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Poland	-0.67	-0.69	-0.54	-0.47	-0.55	-0.44	-0.42	-0.44	-0.55	-0.62	-0.53	-0.13	-0.13	-0.36	-0.17	-0.23
Czech Rep.	-0.29	-0.37	0.27	0.34	-0.16	-0.11	0.14	0.13	-0.05	-0.30	-0.17	0.14	0.11	-0.03	0.05	0.00
Romania	-1.24	-1.06	-0.69	-0.76	-0.67	-0.39	-0.12	-0.14	0.12	0.07	0.03	0.23	0.20	0.17	0.38	0.26
Slovakia	-0.49	-0.44	-0.19	-0.23	-0.45	-0.40	-0.02	0.02	0.29	0.13	0.24	0.65	0.51	0.24	0.42	0.43
Hungary	-1.03	-1.09	-0.79	-0.94	-0.84	-0.68	-0.62	-0.75	0.15	0.08	0.05	0.32	0.14	0.18	0.38	0.27

Total assessment of the country's economic credibility for the area of Respect for international obligations

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Poland	-3.79	-3.51	-3.15	-2.37	-1.98	-1.46	-1.09	-0.48	-1.05	-0.18	-1.02	-0.97	-0.75	-1.38	-0.52	-1.28
Czech Rep.	-1.31	-0.29	-0.45	0.23	0.62	0.48	0.54	0.67	0.08	0.46	0.36	0.63	0.62	0.41	0.58	0.72
Romania	-1.98	-1.51	-2.10	-0.58	-0.92	-1.05	-1.23	-0.95	-1.40	-0.75	-0.93	-0.59	-1.12	-1.03	-0.70	-0.77
Slovakia	-0.14	0.14	-0.02	0.51	0.61	0.23	0.61	0.53	0.70	0.63	0.62	0.79	0.19	0.33	0.32	-0.06
Hungary	-0.82	-0.22	-0.75	0.16	-0.36	-0.25	-0.49	-0.25	-0.91	-0.26	-0.36	-0.50	-0.31	-0.44	-0.05	-0.37

**Source:** Poland's Economic Credibility Index - 3rd Edition (full list of authors: Adam Balcer, Programme Director, the Jan Nowak-Jeziorański College of Eastern Europe ■ Professor Bartłomiej Biga, PhD, University of Economics in Krakow ■ Professor Agnieszka Chłoń-Domińczak, PhD, Vice-Rector for Science, Warsaw School of Economics ■ Sławomir Dudek, PhD, President and Chief Economist of the Institute of Public Finance, Warsaw School of Economics ■ Tomasz Geodecki, PhD, University of Economics in Krakow ■ Jakub Głowacki, PhD, University of Economics in Krakow ■ Maciej Grabowski, PhD, President of the Management Board, Center for Strategic Thoughts ■ Professor Jerzy Hausner, PhD, Chairman of the OEES Program Council, GAP Foundation, project coordinator 3 ■ Professor Jacek Męcina, PhD, University of Warsaw, Advisor to the Management Board of the Lewiatan Confederation ■ Professor Leszek Pawłowicz, PhD, Coordinator of the European Financial Congress, University of Gdańsk ■ Marta Penczar, PhD, EKF-Research Project Manager, Centre for Strategic Thoughts, University of Gdańsk ■ Professor Andrzej Rzońca, PhD, Warsaw School of Economics ■ Professor Andrzej Sławiński, PhD, Warsaw School of Economics), project website: <https://hub.oees.pl/indeks-wiarygodnosci-ekonomicznej-polski/>