

Singapore Management University

Institutional Knowledge at Singapore Management University

Asian Management Insights

Centre for Management Practice

11-2023

Does elite quality matter?

Alwyn LIM

Singapore Management University, alwynlim@smu.edu.sg

Follow this and additional works at: <https://ink.library.smu.edu.sg/ami>



Part of the [Growth and Development Commons](#), and the [Sociology Commons](#)

Citation

LIM, Alwyn. Does elite quality matter?. (2023). *Asian Management Insights (Singapore Management University)*. 10, (3), 10-15.

Available at: <https://ink.library.smu.edu.sg/ami/240>

This Magazine Article is brought to you for free and open access by the Centre for Management Practice at Institutional Knowledge at Singapore Management University. It has been accepted for inclusion in Asian Management Insights by an authorized administrator of Institutional Knowledge at Singapore Management University. For more information, please email cherylds@smu.edu.sg.

DOES ELITE QUALITY MATTER?



Yes, it can make or break a society.

by Alwyn Lim

Elites are an inevitability in society. In recent years, emerging populist movements across different countries have highlighted stark problems with growing levels of global inequality. Are elites the cause of these problems associated with inequality, and can they be a solution? More fundamentally, what can elites do to bring about a positive impact on society? Recent research and a new global ranking index have shed light on these questions.

WHO ARE THE ELITES?

According to economists Tomas Casas and Guido Cozzi, elites are “narrow, coordinated groups that run the largest income generating business models in an economy and which successfully accumulate wealth”.¹ This includes not only segments such as economic interest groups, technology entrepreneurs, oil cartels, and bankers and financiers, but also prominent individuals in society, such as politicians, religious leaders, as well as media and cultural figures. Elites are thus not simply wealthy persons or families but also coordinated groups whose ideas and business models have considerable influence on the whole of a society’s economy and well-being.

This perspective on modern elites has much historical precedence: already in the 1950s, sociologist C. Wright Mills wrote of the ‘power elite’ in American society, noting how elites dominated major political and economic institutions in the United States.² Interlocking government, business, and military elites in Southeast Asia were also a consistent feature in the developmental trajectories of countries in that region. In New Order Indonesia³, for example, patronage was organised through the president’s office, extending through government bureaucracies, state-run businesses, and even charitable foundations. In post-1990s Thailand, business elites exerted direct influence on political parties, elections, and even government bureaucracies to advance their business interests.⁴ As history shows, elites are a sociological feature in all societies across time, making elite existence a mathematical certainty in all social formations.

WHY ELITE QUALITY MATTERS

In recent years, growing levels of global inequality across the developed and developing worlds have led observers to question the role that elites play in society, specifically whether they have contributed to worsening inequality. For example, national populist ideologies and movements have emerged to critique global elite decision-making when it comes to issues like trade, outsourcing, and immigration. Popular observations often portray elites as enriching themselves at the expense of the rest of society. In the US and Europe, these sentiments have been articulated by populist movements led by figures like Donald Trump and Marine Le Pen.⁵ In Southeast Asia, political populism focuses less on immigration but critiques elites by assessing them through ethnic and religious lenses.⁶

Are society's elites guilty as charged? A recent social scientific endeavour helmed by the Foundation for Value Creation has sought to investigate the issue. Researchers at the University of St. Gallen, with international collaborators from several institutions, including Singapore Management University, devised an annual global elite quality ranking called the Elite Quality Index.⁷ In its fourth iteration, the 2023 edition ranked 151 countries based on how well their elites contributed to society. For the previous three iterations of the Index, Singapore had ranked first for elite quality, while Switzerland was placed first in 2023.⁸

The core idea behind the Elite Quality Index is this: because elites have greater influence and coordination capacity over society's resources, their business and social models can have either positive or negative impacts on society. On one hand, elites can engage in rent-seeking practices. This may lead to them extracting more value than what they have created for society. One example is Vietnam's economy as it transitioned to a market-based model in the 1980s. During this period, the political elites had restricted entry into Vietnam's textiles, telecommunications, and motorcycle industries.⁹ Conversely, elites can create broader social and economic benefits when they produce more value than what they have taken. For instance, profits from Singapore's sovereign wealth funds are channelled into the country's reserves and operating revenue.¹⁰ Thus, elite quality clearly matters as their practices can either be more beneficial or detrimental to a country's economic performance and human development.

HOW TO MEASURE ELITE QUALITY

The Elite Quality Index does not examine specific individuals or groups in particular countries. Rather, it uses aggregate measures of political economy at the country level to

approximate the combined influence of elite models and practices.¹¹ Some of these measures include the Gini coefficient, regulatory quality, billionaires' wealth as a proportion of Gross Domestic Product (GDP), life expectancy, environmental protection, trade freedom, and health efficiency. Unsurprisingly, the measures encompass a wide range of political, economic, and social outcomes. In fact, the Index uses over 100 of these political and economic measures from cross-national data collected by international organisations like the United Nations and the World Bank.

The Index uses these measures to determine how much 'power' elites have in a country in relation to how much 'value' they create for that country. A country where elites have a higher power score suggests a greater possibility for them to take advantage of their dominance in politics and the economy to engage in rent-seeking behaviour. Meanwhile, a country where elites have a higher value score suggests that the elites' business models and practices have contributed substantially to the economic and social development of that country (Table 1 shows the top 20 countries ranked in the 2023 Elite Quality Index).¹²

ELITE QUALITY INDEX 2023 – TOP 20 COUNTRIES

Country	Rank	Change from 2022	Score
Switzerland	1	1	68.0
Singapore	2	-1	67.1
New Zealand	3	11	65.7
Japan	4	14	65.3
Israel	5	-1	64.9
Netherlands	6	-1	64.8
Australia	7	-4	64.4
Germany	8	3	64.4
United Kingdom	9	-1	64.4
Sweden	10	-4	64.0
Denmark	11	1	63.7
Canada	12	-5	63.5
Norway	13	-4	63.1
Finland	14	2	62.5
Austria	15	2	62.4
France	16	8	61.9
Belgium	17	6	61.8
Estonia	18	-8	61.5
South Korea	19	0	61.4
United Arab Emirates	20	0	61.0

TABLE 1

The core idea behind the Elite Quality Index is this: because elites have greater influence and coordination capacity over society's resources, their business and social models can have either positive or negative impacts on society.

WHERE DO THE COUNTRIES STAND?

As in previous years, Switzerland and Singapore dominated the 2023 Elite Quality Index, with countries like New Zealand and Japan climbing several notches to rank among the top five countries. The list of top 20 countries in 2023 shows a large concentration of European countries but also includes the UK, Canada, South Korea, and the United Arab Emirates. According to the Index, these countries have the highest quality elites, and their elite business models have contributed significant social and economic value in relation to their coordinative power in the respective countries. Elites that have higher coordinative power—a reflection of their ability to act in concert to influence outcomes—are in a greater position to seek rents for themselves rather than contribute to the wider society. Perhaps unsurprisingly, countries with lower levels of human and economic development also have the lowest elite quality. Countries like Sudan, Afghanistan, Haiti, Syria, and Yemen rank among the lowest on the Elite Quality Index.

The case of Singapore is instructive for making sense of high-quality value creators. Singapore's elites have a high degree of political and economic power (ranked 23rd on the power sub-index), suggesting a very high degree of control and coordination. On this dimension, Singapore scored well on measures like the control of corruption, government responsiveness to change, regulatory enforcement, economic complexity, and venture capital finance. Nevertheless, Singapore elites' models and practices have contributed significantly to value creation, enabling the country to rank first on the value sub-index. Several measures like mean Programme for International Student Assessment or PISA scores, natural resource rents, health efficiency, labour productivity, economic globalisation, and trade freedom reflect the economic and human development value created for Singapore.



Among the major world economies, the US and China, ranked 21st and 22nd respectively, are in similar positions when it comes to elite quality. Strikingly, the US elite quality ranking fell six positions compared to that of 2022, suggesting that elite practices there have contributed less political and economic value in relation to how much power and coordination capacity they have in the country. That the US and China have come to parity in elite quality has implications for the increasing rivalry between the two major world powers. As they vie for global power and regional influence, elite contribution to value creation will become more crucial to maintaining growth and competitiveness in a climate of increasing de-globalisation.

ELITE QUALITY IN ASIA

Elite quality in Asia is as diverse as the many cultures and countries that make up the region. As mentioned, Singapore and Japan both ranked in the top 10 of the Elite Quality Index, suggesting that their high quality elites have contributed significantly to value creation. South Korea and China, both countries that have seen rapid economic growth, are ranked 19th and 22nd respectively. Together, these countries lead elite value creation in Asia.

Southeast Asian countries also demonstrate no small measure of elite value creation. Malaysia and Thailand experienced rapid industrialisation after the 1950s and embraced economic restructuring after the 1997 Asian Financial Crisis. Despite enduring problems with inter-ethnic tensions and social inequality, both countries have fared well in areas such as collective bargaining and openness to business and free enterprise, reflecting quality elite value creation. Vietnam has also experienced dramatic economic growth since the 1980s, as reflected by its rise on the Elite Quality Index. Like Malaysia and Thailand, Vietnam has quality elites that have

contributed to value creation. However, the areas of concern for Vietnam include human rights, social mobility, and environmental performance. Indonesia's elite quality has also risen, but their contributions to value creation have been more modest compared to those of other Southeast Asian countries. Nevertheless, initiatives by the elite in Indonesia like government support for entrepreneurship and favourable corporate tax rates show promising avenues for value creation in the future.

TWO PATHS TO VALUE CREATION

As is evident from this overview, elite quality varies considerably across countries and the Elite Quality Index demonstrates that elite practices can have either positive or detrimental consequences for a country's human and economic development. Despite ambivalent portrayals of elites, the potential for elite contribution to inclusive value creation has often been underestimated. The results of the Elite Quality Index reveal one consistent and crucial point: a country's commitment to economic openness, international free trade, and a free enterprise system is central to generating the resources needed for value creation in society.

However, there also appear to be two paths to elite value creation. Singapore and Switzerland have both topped the Elite Quality Index for several years now but their elite models reveal different pathways. In Singapore, elite value

creation is mediated by a powerful state capitalist system, where the government coordinates public and private actors, with centralised planning by its technocratic elite. For instance, government agencies like the Economic Development Board and Enterprise Singapore facilitate business activities both domestically and abroad, promoting Singapore as an investment destination and targeting industries with high growth potential. For example, profits from Singapore's sovereign wealth funds contribute directly to significant social transfers, mobilising economic opportunities for its citizens, and supporting its massive public housing system. Because a significant portion of those profits go into the government's operating revenue, the Singapore government is able to administer various infrastructural, housing, education, and healthcare and social support programmes. Where the context of Singapore's elite value creation is concerned, it is very much a case of mediation by the state.

In contrast, elite value creation in Switzerland is less dependent on state mediation. The country has a long tradition of political and administrative decentralisation, and businesses have considerable autonomy in the use of resources for investment, research, innovation, and development. Switzerland's federal structure cedes most governance decisions to the local and canton levels, giving local areas the flexibility to experiment with initiatives like lowering tax and regulatory burdens, introducing new financial technologies like cryptocurrencies, and providing support for small businesses. Economic networking and openness in Switzerland are also primarily business-driven, as is business contribution of profits to social and development goals.

This article is not the place to adjudicate between these two national models. In fact, we believe that state-driven and distributed value creation can both be valid pathways to enable the elites to generate social value. Both models offer lessons for countries with different developmental trajectories.

THE FUTURE OF ELITE VALUE CREATION

It is a certainty that elites in society will continue to have considerable impact over how value is created, and how inclusive and sustainable that value creation will be for their respective societies. Moving forward, we can anticipate the following trends that will be of great interest to public actors and policymakers. To begin with, despite emerging de-globalisation, economic openness will remain crucial to many countries as a source of elite value creation. In addition, free enterprise approaches that encourage business autonomy and innovation are more likely to boost elite value creation rather than state-centred approaches with little provision for free enterprise dynamism. Nevertheless, governments still play important roles in facilitating elite business models while channelling profits towards sustainable social objectives.

We also expect that ecological sustainability will feature more prominently in future elite value creation. Environmental issues are now mainstream concerns and business elites are becoming more aware that value creation also includes environmental impact. Crucially, innovation in ecological business practices, rather than just state regulation, will drive value creation. Additionally, social sustainability has been found to relate significantly to human and economic development. Elite models that generate returns for social cohesion and public security will be more determinative for value creation.

In summary, elites are an inevitability in society but elite quality matters. Elite business models can take more than they give but they can also create more value than they extract from society. Countries vary in their elite quality and there are different paths to elite value creation. In the coming years, however, economic openness and free enterprise dynamism will remain central to elite value creation. Ecological and social sustainability issues will become new frontiers of value creation where elites can take the lead. [AMI](#)

Dr Alwyn Lim

is Associate Professor of Sociology and Lee Kong Chian Fellow at Singapore Management University

Endnotes

- 1 Tomas Casas and Guido Cozzi, "Elite Quality Report 2023: Country Scores and Global Rankings", Foundation for Value Creation, 2023.
- 2 C. Wright Mills, "The Power Elite", Oxford University Press, Oxford, 1956.
- 3 This refers to the period after the late Suharto, who was the president then, took over in 1966. The term is meant to contrast with the period when his predecessor Sukarno was in power, which was termed Old Order Indonesia.
- 4 William Case, "Interlocking Elites in Southeast Asia", *Comparative Sociology* (2), 249-269, 2003.
- 5 Roger Eatwell and Matthew Goodwin, "National Populism: The Revolt against Liberal Democracy", Pelican Books, London, 2018. See also John B. Judis, "The Nationalist Revival: Trade, Immigration, and the Revolt against Globalization", *Columbia Global Reports*, New York, 2018.
- 6 Thomas B. Pepinsky, "Migrants, Minorities, and Populism in Southeast Asia", *Pacific Affairs*, 93(3), 593-610, 2020.
- 7 See Elite Quality Index website at <https://elitequality.org>.
- 8 Tomas Casas and Guido Cozzi, "Elite Quality Report 2023: Country Scores and Global Rankings", Foundation for Value Creation, 2023.
- 9 Christine Ngo and Vlad Tarko, "Economic Development in a Rent-Seeking Society: Socialism, State Capitalism and Crony Capitalism in Vietnam", *Canadian Journal of Development Studies*, 39(4), 481-499, 2018.
- 10 Saw Swee-Hock and Linda Low, "Sovereign Wealth Funds", *Saw Centre for Financial Studies*, Singapore, 2009.
- 11 Céline Diebold, "How Meaningful is the Elite Quality Index Ranking?", *Social Indicators Research*, 163, 137-170, 2022.
- 12 Readers may refer to the Elite Quality Index website for the full report and ranking of countries.

Despite emerging de-globalisation, economic openness will remain crucial to many countries as a source of elite value creation.

