



Singapore and Switzerland rank at the top of the Elite Quality Index with the greatest value creation and have two systems that are different, but the countries share similarities. IMAGE: PIXABAY

Maintaining pole position along different paths

An examination of the quality of elites and their influence on value creation. BY TOMAS CASAS, MICHAEL HILB AND ALWYN LIM

SWITZERLAND and Singapore often top global rankings, be it for innovation, competitiveness or citizen satisfaction, yet their underlying social, economic and political systems differ substantially.

The first issue of the *Elite Quality Index (EQx)*, which uses 72 indicators to examine the quality of elites and their influence on value creation, proves helpful in explaining this puzzle.

Frontrunners in elite quality

In the recently published detailed *Elite Quality Index (EQx)* analysis and scoring of 32 countries, the elites of Singapore and Switzerland emerged as those with the greatest value creation, ahead of the United States or Japan while Egypt, Argentina and South Africa ranked last.

On the EQx website, elites are defined as “narrow, coordinated groups with business models that successfully accumulate wealth”; they are seen as “an empirical inevitability” that “exist in every society on earth”.

In addition to the similarities between Singapore (ranked number one) and Switzerland, such as the general friendliness of the economy, the high value placed on international free trade, and a relatively high level of satisfaction among the population (despite one of the highest densities of billionaires) and a relatively low corporate tax burden, the index shows two systems that are different, yet both show the highest sustainable and inclusive value creation.

Singapore – powerful elites with value creation expertise and inclusion

By international comparison, Singapore has powerful political and economic elites, who make the political and economic decisions. As these decisions are to a large extent made centrally, it is difficult for outsiders to directly exercise influence.

At the same time, however, the regulatory environment protects investor rights or provides perfect conditions for new companies pursuing innovative business challenges, for example, by aggressively promoting venture capital or new companies entering the Singapore market.

This relatively strong power of the elites is used in the majority of cases to deliver economic value, which Singapore creates like no other country. That value benefits society at large and, for example, Singapore is a leader in the quality of administrative services offered.

Singapore's state capitalist system generates economic value through state coordination of public and private actors, centralised planning by a government technocratic elite, and investments from its sovereign wealth funds.

The state thus acts as a mediator to channel the benefits from elite value creation to the population in the form of social transfers, infrastructure, economic opportunities, and a massive public housing system which houses up to 80 per cent of the population. These transfers in turn set the stage for further value creation.

Although the population has relatively little power vis-à-vis the elites, it benefits greatly from an inclusive distribution of value creation.

Switzerland – Distributed value creation competence in the interest of all

The elites in Switzerland are relatively limited in their power compared to other countries. This is expressed, for example, in a strong political and administrative decentralism. This is also visible in the economy, where companies are granted a great deal of freedom in the use of funds, an example being for the purpose of investing in research and development, which is particularly relevant for the pharmaceuticals and machinery industry.

The relatively large political and economic leeway is used constructively so that Switzerland is not only a leader in global economic networking or openness, but also gives strong consideration to ecological aspects in value creation. In addition, the population receives a fair share of the value created.

The Swiss approach is very much based on the federalist structure, in which political power is distributed among different levels, that is, citizens, municipalities, cantons and the federal level, which only has power over decisions that cannot be regulated at a lower level, in accordance with the principle of subsidiarity. This logic ensures that important political decisions are made by the citizens or, if delegated, that there are clear checks and balances. The calibrated distribution of power is a direct consequence of Switzerland's heterogeneity and a safeguard for stability.

Mutual learning for continuous further development

The two systems are very different, because in the case of Singapore,

the broad distribution of created value is only possible in the long term as long as the elite continues to be high quality and above-average value creation can be ensured by the elites.

On the other hand, distributed power and value creation in the interest of all, as practised in Switzerland, can develop only as long as freedom is granted and that freedom is used by the agents in society and the economy to create value.

Singapore could further enhance its sustainable value creation potential by allowing more openness to decentralised decision-making both in the largest companies, often owned by sovereign wealth funds, and in civic affairs to be more agile in responding to change in the future.

Singapore's high political centralisation may not be flexible in anticipating emerging economic needs or in identifying new areas for further value creation.

A more consultative political approach together with decentralisation might help to encourage elite value creation in more innovative and sustainable ways.

Switzerland, on the other hand, would be well advised to maintain the strength of decentralised decision-making and, for example, to counter the danger of power concentrations in certain domestic sectors more strongly, while at the same time marketing the model more actively internationally to attract increased foreign investment again.

The fact that Switzerland lacks powerful elites might be a disadvantage in times of the Covid-19 pandemic, international technology monopolies or technology disruptions.

Transparency as the basis for positive change

Switzerland and Singapore can serve as examples of how the wealth generation behaviour attributed to the elite can create value not only for the elites but also for large sections of the population.

In both cases, the political, economic and intellectual elite are basically granted a value-creating role, but concurrently they are shown what responsibility this entails.

An evidence-based examination of the issue, as offered by the *Elite Quality Index*, can be used to show where and how elites abuse their power to extract value from non-elites in their favour.

In doing so, transparency and facts can serve as basis for positive change.

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The Elite Quality Index (EQx): With 72 indicators, 12 pillars and two sub-indices, the index measures the quality of national elites and their influence on the value creation of national economies. Details of the index, including country scores and global rank, can be found at elitequality.org.