ELITE QUALITY INDEX
EQx2023

This PDF includes a contribution from the following book:

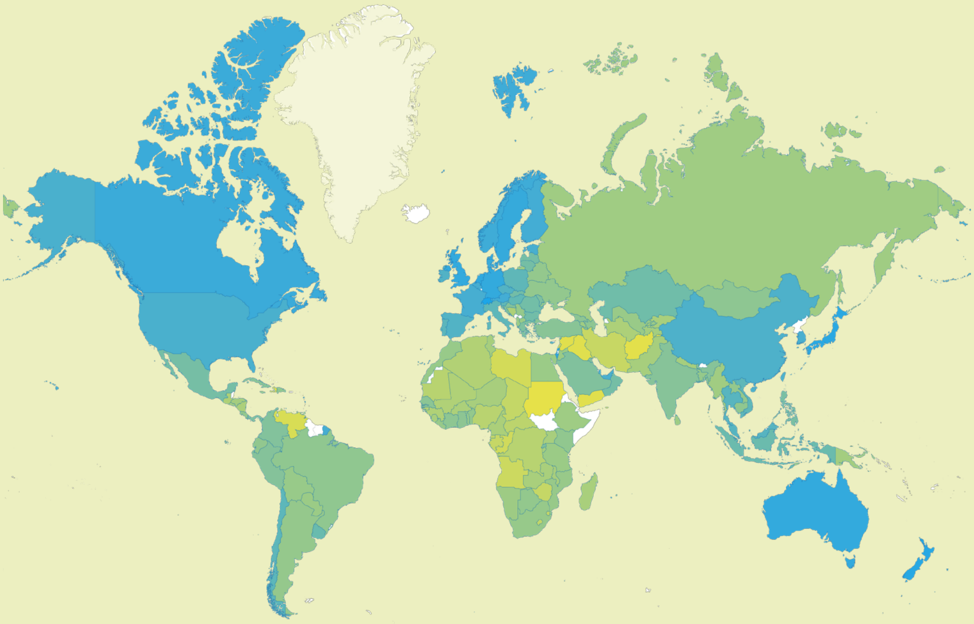
ELITE QUALITY REPORT 2023

Norway: A redistributional labyrinth

Jan Ketil Arnulf, Professor, BI Norwegian Business School

Janicke Rasmussen, Professor, BI Norwegian Business School

Dag Morten Dalen, Professor, BI Norwegian Business School



Cite as:

Ketil, J.A., Rasmussen, J., & Dalen, D.M. (2023). Norway: A redistributional labyrinth. In T. Casas-Klett & G. Cozzi. (Eds.), Elite Quality Report 2023: Country Scores and Global Rankings. Zurich: Seismo. https://doi.org/10.33058/seismo.30882.1872

Published by Seismo Press AG, Zurich and Geneva in partnership with the Foundation for Value Creation.

Norway: A redistributional labyrinth

The EQx2023 sees Norway dropping from an overall ranking of # 10 in the EQx2022 to # 13. While this shift may be within the expected fluctuations of the index, the change is quite revealing. Norway's challenges can be summed up as being caused by the impacts of increasingly high energy prices, the onset of spiraling inflation, and political strife about the road to sustainability.

Before discussing these emerging problems, there is also good news in areas like *Press freedom* (PFD, i.1, rank # 1), *Regulatory enforcement* (REN, i.2, rank # 1) and the leading ranking Norway holds in the *Human Rights Index* (HRI, i.3, rank # 1). Moreover, the country is still (and despite much internal grumbling) *Open for business* (OFB, iv.10, rank # 4) with a high level of Trade freedom (TRF, iv.10, rank # 7) and fairly good rankings on healthcare (e.g., *Health-Efficiency Index,* HEI, iv.10, rank # 9) and educational outcomes (e.g., *School life expectancy,* EDU, iii.7, rank # 11), with no detectable brain drain (BRN, iv.12, rank # 1).

What continues to be a challenge to the Norwegian political economy is, as commented on last year, a propensity towards Coalition Dominance (ii.4, rank # 37) and Political Value capture (iii, rank # 14). The country's strong reliance on fossil fuels and fishing is reflected in its poor ratings for *Natural resources rents as % of GDP* (NRR, iii.9, rank # 111); *Top 1 industry exports* (IEO, ii.4, rank # 122) and *Public employment* (PUE, ii.4, rank # 119). These Indicators all point to the burden of being dependent on a limited cluster of industries with big government involvement. Oddly, at the same time, the share of *Billionaires' wealth as % of GDP* (BIW, ii.5) ranks at # 121, suggesting an increase in inequalities. This skewed distribution of income is confirmed by the dismal ranking of # 149 in the Gini-coefficient on 3-year national growth (GWC, i.1).

Clearly, the country is struggling with a paradoxical situation where to some extent, the government rakes in huge revenues from national resources but is failing to re-distribute these in a way that creates a diversified economy with equal opportunities. An underlying dynamic here is that the Norwegian Sovereign Fund was created to prevent Norway from being overwhelmed by capital inflows, but this may have lessened the interest in Foreign direct investments (FDI),where Norway also ranks poorly (FDS, iv.10, rank # 81).

As the war in Ukraine led to sky-high prices on all forms of energy and an escalation of Inflation in 2022 (DOI, iv.11, rank # 34), these forces collided head on with the redistributional problem in Norway. As some of the providers of natural gas and hydro-powered electricity made astronomical profits through vastly increased turnover volumes, low- and medium-income households and non-energy sector businesses suffered. Severe inequalities and injustices emerged that pose severe threats to Norway's civil contract of redistribution. Moreover, the return of fossil fuels as an international strategic asset and the lower value of clean electricity put a severe drag on the country's efforts and credibility in battling climate change.

The result of these developments exposed a confusing energy regulation and taxation system. Traditional political elites seemed unable to explain and handle the resulting public dissatisfaction and criticism. As the country needed to reduce its contributions to the budget from the Sovereign Fund, the government proposed new taxes on the rents reaped by fish farming and energy producers. This did not go down well with the business community and some billionaires chose to emigrate in protest. As this is being written, the Norwegian system of redistribution is facing a severe stress test. The politicians have designed a system of taxes and regulations with ramifications that they did not entirely foresee during the time when both energy and capital was cheap.

The really confused picture that emerges in the EQx2023 report is that despite the government's attempts to redistribute wealth, the wealthy few still seem to emerge as the winners, with rising Gini coefficients (e.g, GWL, i.1 or GIL, i.1, ranked # 11 and rank # 13 respectively) and the number of Self-made billionaires (BSG, iv.11) ranking number # 9 internationally. At the same time, the bedrock of „normal"; businesses and levels of wealth face a landscape that is suffering from lack of dynamism. For example, *R&D as a % of GDP* (RND, ii.5) ranks at # 15, *Venture capital availability* (VCA, ii.6) ranks at # 25, *SMEs per 1,000 people* (SME, ii.5) ranks at # 28 and the Firm exit ratio (EXR, ii.6) at # 25. It seems that the political and knowledge elites will have to do some deeper thinking in order to find effective ways to stimulate diversification and re-energize the economy instead of clinging to slogans from the past.

Jan Ketil Arnulf, Janicke Rasmussen and Dag Morten Dalen
Professors, BI Norwegian Business School

Norway

EQx2023 Country Scorecard

Population	5.4 million
GDP (nominal)	482 billion USD
GDP per capita	89'154 USD

Level 1 – Index

EQx Rank / 151	EQx Score	NextGen VCB Rank
13	63.1	Rank 6

High Quality Elites

Level 2 – Sub-Indices & Index Areas

EQx Sub-Indices

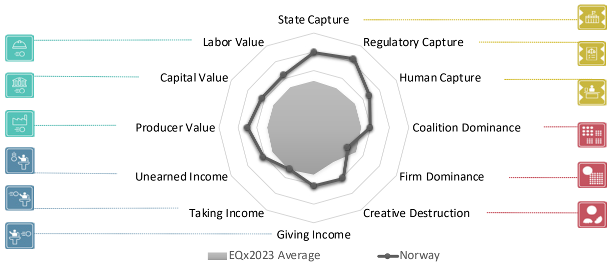
Sub-Index	Rank / 151	Score
Power	21	63.8
Value	6	62.7

EQx Index Areas

Index Area	Rank / 151	Score
Political Power (i)	7	78.3
Economic Power (ii)	40	56.5
Political Value (iii)	14	57.4
Economic Value (iv)	5	65.4

Level 3 – Pillars

Index Area	Pillar	Rank / 151	Score
Political Power (i)	State Capture	7	79.4
	Regulatory Capture	5	83.8
	Human Capture	14	67.8
Economic Power (ii)	Coalition Dominance	37	59.3
	Firm Dominance	137	41.4
	Creative Destruction	32	61.7
Political Value (iii)	Giving Income	14	61.2
	Taking Income	83	50.4
	Unearned Income	17	61.6
Economic Value (iv)	Producer Value	3	69.8
	Capital Value	11	62.9
	Labor Value	22	64.2



Level 4 – EQx Indicators

Pillar	Code	Indicator	Rank / 151	Score
State Capture (i.1)	COR	Political corruption	5	91.1
	COC	Control of corruption	1	100.0
	OPG	Open government	1	100.0
	RTC	Government's responsiveness to change	20	74.1
	EPR	E-Participation Index	40	70.3
	PFD	Press freedom	1	100.0
	NJK	Nr. of journalists killed per 1 million people (2yrs avg.)		
	PDE	Political decentralization	50	58.7
	ADE	Administrative decentralization	1	100.0
	PGL	Political globalization	27	77.0
	WPI	Women's Power Index	1	100.0
	MOB	Social mobility (upward) (dev. fm optimum)	59	51.8
	INE	Top 10% share of pre-tax national income	4	95.0
	GWL	Gini coefficient on net national wealth dist. - level	11	71.6
	GWC	Gini coefficient on net national wealth dist. - 3-year growth	149	12.2
	GIL	Gini coefficient on income dist. - level	13	80.3
	GIC	Gini coefficient on income dist. - 1-year growth rate	41	43.9
Regulatory Capture (i.2)	ECR	Ease of challenging regulations	18	79.7
	CGP	Constraints on goverment power	1	100.0
	REQ	Regulatory quality	9	92.8
	REN	Regulatory enforcement	1	100.0
	PRI	Property rights	1	96.6
	CRO	Crony capitalism	28	59.3
	INO	Informal output as a % of GDP	28	76.2
Human Capture (i.3)	GSI	Global Slavery Index	25	67.4
	FDP	Forcibly displaced population as % of population	10	56.5
	HRI	Human Rights Index	1	100.0
	AFI	Academic Freedom Index	1	79.9
	GRI	Religion - Government Restriction Index	73	56.4
	LIN	LGBT+ inclusiveness	12	88.1
	WSB	Women self made billionaires	19	38.2
	WBL	Women, business and the law	18	77.9
	WMA	Proportion of women in senior and middle mgmt positions (	54	52.9
Coalition Dominance (ii.4)	IEE	Top 3 industries exports as % of exports	92	40.5
	IEO	Top 1 industry exports as % of exports	122	24.0
	IVA	Top 3 industries as % of VA	1	96.9
	HHI	Domestic market diversification	52	64.3
	ECI	Economic Complexity Index	34	69.7
	PUE	Public employees as a % of total employment	119	14.0
	MIL	Military expenses as % of GDP (dev. fm optimum)	24	68.0
	UNI	Unionization rate (dev. fm optimum)	114	0.0
	BSN	Barriers in service & network sectors	8	74.6
	CRA	Criminal actors	13	83.6
Firm Dominance (ii.5)	SME	SMEs per 1,000 people	28	49.4
	FAM	Family business revenues as percentage of GDP	21	48.5
	BIW	Billionaires' wealth as % of GDP	121	44.5
	FKG	Top 10 firms market cap as % of GDP	57	49.4
	FRG	Top 3 firms revenues as % of GDP	63	17.6
	FRR	Top 30 firms revenues as % of GDP	37	33.0
Creative Destruction (ii.6)	ENT	Entrepreneurship	20	80.1
	GSE	Governmental support to entrepreneurship	24	70.0
	VCK	Venture capital finance	53	35.2
	VCA	Venture capital availability	25	72.7
	RND	R&D as a % of GDP	15	81.3
	EXR	Firm exit ratio	25	8.7
	BCD	Billionaire's creative destruction	33	75.5
	IWE	Index of Women Entrepreneurs		
Giving Income (iii.7)	LEW	Life expectancy women	10	84.4
	LEM	Life expectancy men	4	92.2
	VAX	COVID-19 vaccination rate	73	43.6
	COM	COVID-19 mortality rate, age-adjusted	109	33.8
	COF	COVID-19 fatality rate, age-adjusted	31	60.3
	COV	COVID-19 excess deaths, age-adjusted	63	48.3
	CLS	COVID-19 lost schooldays	71	52.4
	SCI	UHC Service coverage index	6	83.1
	PTR	Pupil-teacher ratio	1	79.7

Pillar	Code	Indicator	Rank / 151	Score
Giving Income (iii.7)	EDU	School life expectancy	11	88.5
	PIS	PISA mean scores	21	69.3
	UNV	Top universities	11	75.3
	GEE	Government education expenditure	30	71.3
	OSI	Online Service Index	36	71.7
	NRI	Network Readiness Index	10	91.5
	INT	Internet access	6	74.3
	FSQ	Global Food Security Index - availability, quality & safety	21	74.8
	GPS	Expenditure on general public services as % of GDP (dev. fm	23	60.1
	GEX	General government expenditure as % of GDP (dev. fm optim	88	30.2
	SNT	Subsidies and transfers as % of expenses	103	23.6
	REG	Regional redistribution as % of government budget	133	10.5
Taking Income (iii.8)	SUB	Death rates from substance use per 100,000 people	131	20.0
	BRD	Battle-related deaths per 100,000 people	1	54.2
	HOM	Homicide rate	31	57.4
	SUI	Suicide rate per 100,000 people	111	41.8
	DTR	Tax revenue as % of GDP (dev. fm optimum)	97	27.5
	DCT	Corporate tax rate (dev. fm optimum)	33	72.7
	DPS	Delta public vs private sector salaries	23	52.6
	FDE	Fiscal decentralization	21	59.8
	GCI	Global Cybersecurity Index	12	86.7
	GEG	Gender education gap (dev. fm optimum)	31	34.1
Unearned Income (iii.9)	CRM	Criminal markets	25	75.1
	DBT	Government debt as % of GDP	40	64.8
	NRR	Natural resources rents as % of GDP	111	33.5
	GPA	Green patents	12	92.3
	EPI	Environmental Performance Index	17	83.9
	DER	Deforestation Rate	75	55.2
	FUS	Fertilizer usage kg per hectar	108	48.5
	TLP	Terrestrial land protected	21	77.4
	CDO	CO2 emissions (metric tons per capita)	118	37.6
	AIR	Air quality index	8	75.0
	HAZ	Hazardous Waste per capita	45	54.1
	WPC	Waste collected per capita	89	44.7
	MWR	Municipal Waste Recycling Rate	12	61.2
	FIS	Fishing consumption as % of population	139	0.0
	MET	Red meat consumption kilograms per capita	116	25.4
Producer Value (iv.10)	PAT	Nr. of patent applications per 100,000 people	16	56.3
	FBH	Financial burden of healthcare		
	HEI	Health Efficiency Index	9	76.4
	DMS	Density of medical staff	1	100.0
	FSA	Global Food Security Index - affordability	28	73.3
	FDS	Inward FDI as a % of GDP, Stock	81	45.0
	BTF	Barriers to FDI	47	54.4
	OFB	Open for business	4	97.0
	EGL	Economic globalization	27	78.3
	TRF	Trade freedom	7	86.3
	IPM	Share of imports targeted by protectionist measures (flow)	11	84.2
	IPS	Share of imports targeted by protectionist measures (stock)	44	68.3
	DGI	Share of discriminatory government interventions as % of tot	79	63.4
	DGS	Share of discriminatory government interventions as % of tot	137	17.7
Capital Value (iv.11)	DOI	Inflation (dev. fm optimum)	34	57.9
	DEF	GDP deflator index growth rate (dev. fm optimum)	138	36.3
	DNI	Neutral interest rate (dev. fm optimum)	10	61.6
	FMI	Financial Markets Index	14	93.0
	GFC	Gross capital formation	54	53.4
	DMA	M&A as % of investment - 3 yrs rolling avg. (dev. fm optimum	14	59.6
	GOL	Gold demand as % of GDP		
	UNC	Unicorns per 1 million people		
	BSG	Billionaires self-made nr. per 1 million people	9	83.6
	BSM	Billionaires self-made as % of total billionaires	38	44.7
Labor Value (iv.12)	LPG	Labor productivity growth	27	56.3
	WLP	Delta real wage vs labor productivity increases	29	43.1
	LFP	Labor force participation rate	35	66.8
	LFR	Labor force participation ratio - male vs female	51	64.9
	UEM	Unemployment rate	54	62.9
	YUN	Youth unemployment rate	62	60.7
	BRN	Human flight and brain drain	1	100.0

The Elite Quality Report 2023 (EQx2023) provides Country Scores and Global Rankings for 151 countries