

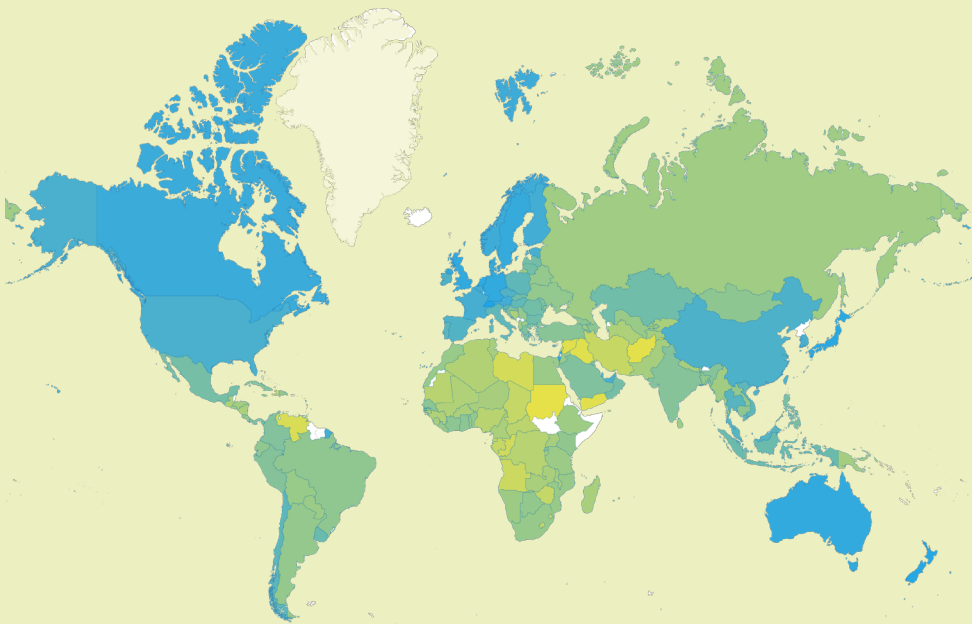
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ELITE QUALITY REPORT 2023

Portugal: A course correction is needed to curb the extractive tendencies of elites

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Portugal: A course correction is needed to curb the extractive tendencies of elites

In global terms, Portugal saw its position in the EQx deteriorate this year (rank # 30 in 2023, down from # 25 in 2022). More granularly it maintained its position in terms of Political Power (i, rank # 19), but saw its Political Value Creation fall precipitously (iii, rank # 37 in 2023, down from # 11 in 2022), meaning that the political elite became more extractive, and lost the will or capacity to generate value. There was a greater concentration of Economic Power (ii, rank # 42 in 2023, down from # 25 in 2022), but this was not utilized to increase Economic Value (iv, rank # 39 in 2023, down from # 37 in 2022).

Economic performance is indicative of the fact that Portugal is increasingly at the bottom of European rankings for living standards, and many of the countries that have overtaken it certainly don't have such low levels of *Government expenditure on education* (GFC, iii.7, rank # 51). In fact, Portugal has made some overall progress in terms of the qualifications of its labor force but is still not able to fully use this human capital, as a significant proportion of this qualified generation either emigrates or is unemployed (*Youth unemployment*, YUN, iv.12, rank # 106). Besides labor, the other primary factor in economic growth is capital, so the country should also seek to find explanations for its poor performance in *Gross capital formation* (GFC, iv.11, rank # 100).

A particular problem for Portugal is its significant *Government debt* (DBT, iii.9, rank # 139). The external bailout by the Troika required the imposition of significant austerity measures, but also added an enormous tax burden onto both individuals and companies (DTR, iii.8, rank # 105; DCT, rank # 114). The constraints imposed by indebtedness prevent the government from being able to promote greater economic activity (*Governmental support to entrepreneurship*, GSE, ii.6, rank # 66), even with the help of EU funds.

If, even with large inflows of EU funds, Portugal has a low level of investment in relative terms (again, see GFC, iv.11, rank # 100), it is not surprising that productivity does not improve as is the case in other countries and the potential for economic growth is low (there has been a weak growth trend for most of this millennium), limiting progress on living standards and resulting in strong social inequalities (Gini coefficients, GWL, i.1, rank # 94, GWC, i.1, rank # 136, and GIL, i.1, rank # 41) and regional inequalities (REG, iii.7, rank # 128).

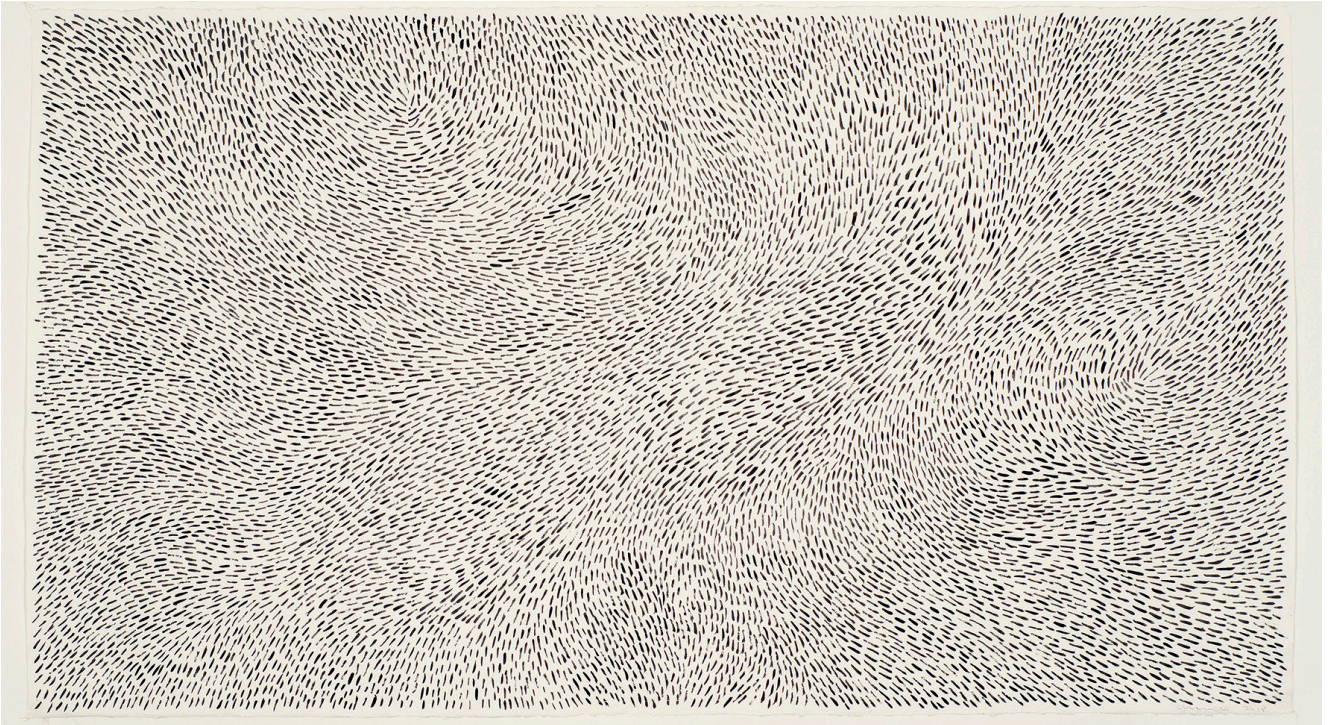
Excessive bureaucracy also limits economic performance. Portugal is, as always, hindered by the ineffective bureaucracy of the State as is evidenced by *General government expenditure as % of GDP* (GEX, iii.7, rank # 87), and *Ease of challenging regulations* (ECR, i.2, rank # 72). We must also acknowledge that, as has been the case in many other countries, *Inflation* has further constrained economic activity, as the costs of planned investments have increased relative to initial budgets (DOI, iv.11, rank # 61).

Yet, within the analytical framework of the EQx Index Areas, the following Indicators provide some positive news. In the Political Power Area, several Indicators of Human Capture evidence some excellent outcomes. Portugal ranks first in the *Academic Freedom Index*, (AFI, i.3, rank # 1) and for *Women, business and the law* (WBL, i.3, rank # 1), as well as ranking very highly in the *Religion - Government Restriction Index* (GRI, i.3, rank # 7) and for *LGBT+ inclusiveness* (LIN, i.3, rank # 5), revealing that the country is extremely tolerant of minorities and offers both academic and religious freedom. In the Economic Power Area, the dispersion of exports across firms (*Top 3 industries exports as % of exports*, IEE, ii.4, rank # 5), as well as the dispersion of value added across firms (*Top 3 industries as % of VA*, IVA, ii.4, rank # 6) shows that the country has few problems with dominant business elites.

In the Political Value Area the excellent performance in *Global Food Security Index* (FSQ, iii.7, rank # 4), the low wage gap between the public and private sectors (*Delta public vs. private sector salaries*, DPS, iii.8, rank # 9), and *Air quality* (AIR, iii.9, rank # 6) stand out. In the Economic Value Area, the absence of *Barriers to FDI* (BTF, iv.10, rank # 1) and high levels of *Labor productivity growth* (LPG, iv.12, rank # 10) are also notable.

Still, overall, the data for Portugal, reveals the presence of elites with an increasing tendency towards being more extractive. This needs to be corrected, since the country remains uncompetitive, and while very open to trade it is extremely indebted and heavily dependent on tourism and the economic situation of its main partners.

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Portugal

EQx2023 Country Scorecard

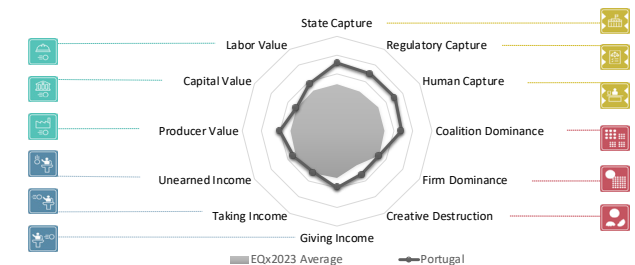
Population **10.3 million**
 GDP (nominal) **254 billion USD**
 GDP per capita **24'568 USD**



Level 1 – Index	EQx Rank / 151 30	EQx Score 57.0	NextGen VCB Rank Rank 25	Quality Elites
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Level 2 – Sub-Indices & Index Areas	EQx Sub-Indices				EQx Index Areas							
	Power		Value		Political Power (i)		Economic Power (ii)		Political Value (iii)		Economic Value (iv)	
	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score
	26	60.6	33	55.2	19	71.0	42	55.5	37	54.3	39	55.6

Level 3 – Pillars		Rank / 151	Score
Political Power (i)	State Capture	15	72.0
	Regulatory Capture	30	69.5
	Human Capture	9	70.3
	Coalition Dominance	9	68.0
Economic Power (ii)	Firm Dominance	81	51.1
	Creative Destruction	45	52.6
	Giving Income	19	59.6
	Taking Income	85	50.1
Political Value (iii)	Unearned Income	58	52.9
	Producer Value	28	60.4
	Capital Value	68	49.7
	Labor Value	54	57.3



Level 4 – EQx Indicators		Rank / 151	Score
State Capture (i.1)	COR Political corruption	30	79.6
	COC Control of corruption	26	73.4
	ORG Open government	27	70.0
	RTC Government's responsiveness to change	51	56.8
	EPR E-Participation Index	29	73.6
	PFD Press freedom	7	93.3
	NJK Nr. of journalists killed per 1 million people (2yrs avg.)		
	PDE Political decentralization	11	76.9
	ADE Administrative decentralization	32	72.1
	PGL Political globalization	11	83.9
Regulatory Capture (i.2)	WPI Women's Power Index	14	91.7
	MOB Social mobility (upward) (dev. fm optimum)	53	56.1
	INE Top 10% share of pre-tax national income	27	80.4
	GWL Gini coefficient on net national wealth dist. - level	94	54.9
	GWC Gini coefficient on net national wealth dist. - 3-year growth	136	45.9
	GIL Gini coefficient on income dist. - level	41	64.5
	GIC Gini coefficient on income dist. - 1-year growth rate	22	59.7
	ECR Ease of challenging regulations	72	41.3
	CGP Constraints on government power	17	82.8
	REQ Regulatory quality	36	70.1
Human Capture (i.3)	REN Regulatory enforcement	34	61.5
	PRI Property rights	19	86.4
	CRO Crony capitalism	15	64.3
	INO Informal output as a % of GDP	35	72.4
	GSI Global Slavery Index	43	64.0
	FDP Forcibly displaced population as % of population	33	56.5
	HRI Human Rights Index	12	91.6
	AFI Academic Freedom Index	1	79.9
	GRI Religion - Government Restriction Index	7	82.1
	LIN LGBT+ inclusiveness	5	90.6
Coalition Dominance (ii.4)	WSB Women self made billionaires	19	38.2
	WBL Women, business and the law	1	82.3
	WMA Proportion of women in senior and middle mgmt positions (39	62.0
	IEE Top 3 industries exports as % of exports	5	90.7
	IEO Top 1 industry exports as % of exports	44	66.8
	IVA Top 3 industries as % of VA	6	89.5
	HHI Domestic market diversification	53	64.2
	ECI Economic Complexity Index	43	63.5
	PUE Public employees as a % of total employment		
	MIL Military expenses as % of GDP (dev. fm optimum)	17	69.9
Firm Dominance (ii.5)	UNI Unionization rate (dev. fm optimum)	49	62.1
	BSN Barriers in service & network sectors	39	29.1
	CRA Criminal actors	56	58.3
	SME SMEs per 1,000 people	38	46.4
	FAM Family business revenues as percentage of GDP	9	66.1
	BIW Billionaires' wealth as % of GDP	91	57.1
	FKG Top 10 firms market cap as % of GDP	36	57.1
	FRG Top 3 firms revenues as % of GDP	60	23.8
	FRR Top 30 firms revenues as % of GDP		
	ENT Entrepreneurship	27	67.2
Creative Destruction (ii.6)	GSE Governmental support to entrepreneurship	66	37.0
	VCK Venture capital finance	62	30.1
	VCA Venture capital availability	45	57.7
	RND R&D as a % of GDP	23	74.9
	EXR Firm exit ratio	3	80.4
	BCD Billionaire's creative destruction	50	34.4
	IWE Index of Women Entrepreneurs	20	66.1
	LEW Life expectancy women	17	81.9
	LEM Life expectancy men	24	80.3
	VAX COVID-19 vaccination rate	101	36.9
Giving Income (iii.7)	COM COVID-19 mortality rate, age-adjusted	103	37.0
	COF COVID-19 fatality rate, age-adjusted	10	60.9
	COV COVID-19 excess deaths, age-adjusted	49	56.6
	CLS COVID-19 lost schooldays	42	70.4
	SCI UHC Service coverage index	14	80.0
	PTR Pupil-teacher ratio	26	72.6

Giving Income (iii.7)	EDU School life expectancy	17	77.4
	PIS PISA mean scores	25	67.1
	UNV Top universities	18	51.4
	GEE Government education expenditure	51	58.3
	OSI Online Service Index	37	71.1
	NRI Network Readiness Index	27	75.0
	INT Internet access	51	67.4
	FSQ Global Food Security Index - availability, quality & safety	4	84.9
	GPS Expenditure on general public services as % of GDP (dev. fm	51	42.2
	GEX General government expenditure as % of GDP (dev. fm optim	87	30.3
Taking Income (iii.8)	SNT Subsidies and transfers as % of expenses	73	45.2
	REG Regional redistribution as % of government budget	128	13.6
	SUB Death rates from substance use per 100,000 people	37	63.6
	BRD Battle-related deaths per 100,000 people	1	54.2
	HOM Homicide rate	27	57.4
	SUI Suicide rate per 100,000 people	110	42.8
	DTR Tax revenue as % of GDP (dev. fm optimum)	105	22.3
	DCT Corporate tax rate (dev. fm optimum)	114	36.1
	DPS Delta public vs private sector salaries	9	68.9
	FDE Fiscal decentralization	36	41.2
Unearned Income (iii.9)	GCI Global Cybersecurity Index	58	59.4
	GEG Gender education gap (dev. fm optimum)	32	32.7
	CRM Criminal markets	29	72.7
	DBT Government debt as % of GDP	139	6.2
	NRR Natural resources rents as % of GDP	21	74.2
	GPA Green patents	29	69.6
	EPI Environmental Performance Index	38	66.1
	DER Deforestation Rate	77	55.0
	FUS Fertilizer usage kg per hectar	103	50.0
	TLP Terrestrial land protected	44	61.7
Producer Value (iv.10)	CDO CO2 emissions (metric tons per capita)	99	49.5
	AIR Air quality index	6	75.6
	HAZ Hazardous Waste per capita	27	54.2
	WPC Waste collected per capita	77	50.7
	MWR Municipal Waste Recycling Rate	39	40.7
	FIS Fishing consumption as % of population	139	0.0
	MET Red meat consumption kilograms per capita	140	18.2
	PAT Nr. of patent applications per 100,000 people	26	49.1
	FBH Financial burden of healthcare	108	35.3
	HEI Health Efficiency Index	25	50.1
Capital Value (iv.11)	DMS Density of medical staff	23	82.2
	FSA Global Food Security Index - affordability	15	76.8
	FDS Inward FDI as a % of GDP, Stock	33	50.3
	BTF Barriers to FDI	1	72.5
	OFB Open for business	19	64.8
	EGL Economic globalization	24	80.8
	TRF Trade freedom	18	70.8
	IPM Share of imports targeted by protectionist measures (flow)	83	25.2
	IPS Share of imports targeted by protectionist measures (stock)	85	45.0
	DGI Share of discriminatory government interventions as % of totc	56	65.1
Labor Value (iv.12)	DGS Share of discriminatory government interventions as % of totc	122	30.8
	DOI Inflation (dev. fm optimum)	61	56.5
	DEF GDP deflator index growth rate (dev. fm optimum)	11	58.9
	DNI Neutral interest rate (dev. fm optimum)		
	FMI Financial Markets Index	26	80.2
	GFC Gross capital formation	100	38.9
	DMA M&A as % of investment - 3 yrs rolling avg. (dev. fm optimum	5	64.7
	GOL Gold demand as % of GDP		
	UNC Unicorns per 1 million people		
	BSG Billionaires self-made nr. per 1 million people	58	27.3
BSM Billionaires self-made as % of total billionaires	58	0.3	
Human Flight and Brain Drain (iv.13)	LPG Labor productivity growth	10	61.7
	WLP Delta real wage vs labor productivity increases	17	62.9
	LFP Labor force participation rate	94	45.2
	LFR Labor force participation ratio - male vs female	34	68.5
	UEM Unemployment rate	84	55.7
	YUN Youth unemployment rate	106	39.1
	BRN Human flight and brain drain	26	76.0

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