ELITE QUALITY INDEX
EQx2024

This is a contribution from the following book:

ELITE QUALITY REPORT 2024

Why Small Nations have Great Elites

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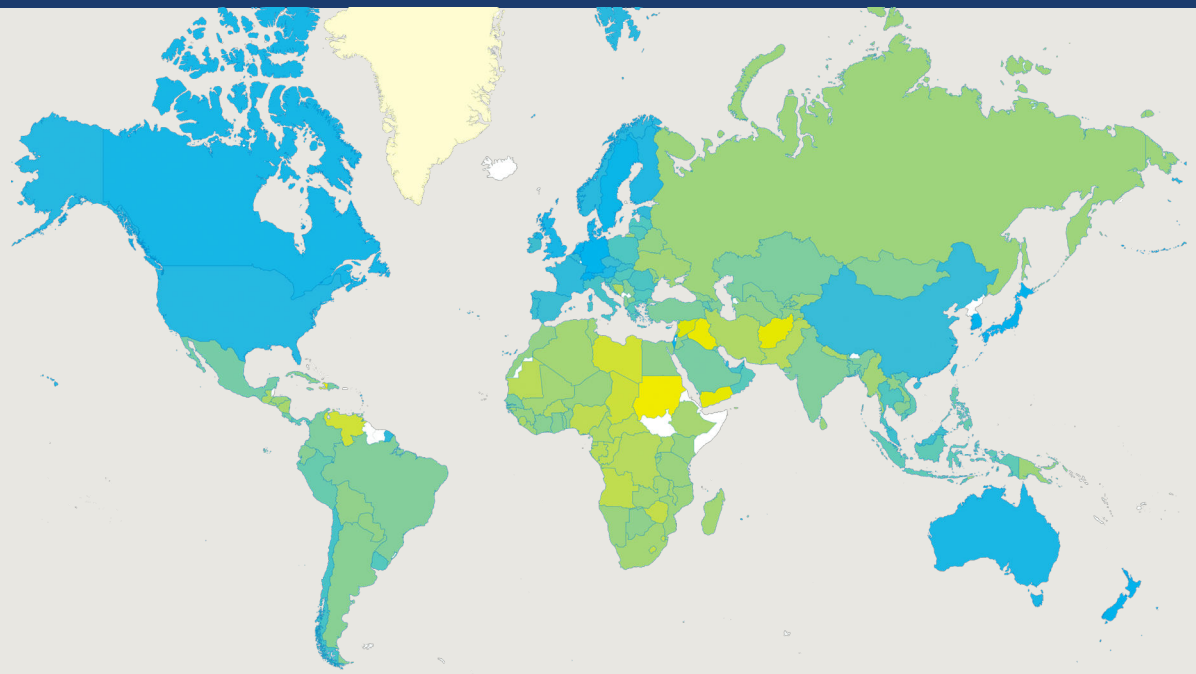

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1.3 Why Small Nations have Great Elites

We have spent several years researching and trying to understand why a number of small nations lead the world in a number of the metrics considered to be critical to a healthy society including global competitiveness, GDP per capita, prudent levels of debt, PISA scores, confidence in government, and innovation. We have now turned our attention to Elite Quality and concluded that countries that have a smaller distance between their elites and the general population tend to thrive. Why might this be the case?

A successful nation must first and foremost be very good at creating value and then turning it into wealth. High levels of general prosperity will follow. One fruitful path forward is through high levels of exports. That means that a country's products (and services) must have a comparative advantage to prevail over domestic competitors in foreign markets. This is normally achieved through technological superiority.

Private markets are mechanisms to create value and gain stature internationally. Governments should therefore be supportive of private initiatives, fostering conditions that encourage high performance such as providing an outstanding public education system, excellent infrastructure, and a trusted rule of law. Yet there is more. In this context and in many others, it is the elites that play a decisive role.

Here are some general observations:

1. **Cohesion:** As elites are conferred a disproportionate amount of power compared to matters that are decided by elections (one person, one vote) it is important that society considers that such power is legitimate. If elites are of high quality and fulfill their role conscientiously then trust and *Zusammenhalt* will help to bind society together, notwithstanding the superior privileges that elites may have. If the elites abuse this trust or are seen as extracting rather than adding value, widespread mistrust, greater friction, and bad feelings within society will soon emerge and eventually lead to dysfunctionality.

2. **Trust:** The degrees of separation between elites and the general populace are narrower in smaller societies and so the opportunities to validate trust are greater, as are the consequences of destroying it. People have closer relationships and have more data points to call out elites if they are seen to be violating trust or disappointing expectations. This frequency of feedback loops and a higher signal to noise ratio ensures greater social cohesion and higher responsiveness to social concerns by elites.

3. **Meritocracy:** The idea that rewards and positions are based on individual talent and effort rather than family background or social connections is critical to a well-functioning elite. The elite enjoy greater credibility and goodwill from the public if there is a high degree of social mobility and the possibility of entering into the ranks of the elite is possible, regardless of background. This contributes to a sense of fairness and motivates Value Creation and continual striving for upward mobility, the key to social progress. Meritocratic systems place the most qualified and skilled individuals in leadership positions, resulting better decision-making, improved efficiency, and the overall advancement of progress.

4. **Openness:** Due to their size, it is impossible for small nations to source the best global talent locally and yet such human capital is essential to successfully competing at the highest echelons of the global economy. Therefore, it is important for these nations to be open to outsiders and attract the best possible candidates based on merit rather than nationality. The majority of C-Suite members of Swiss multinational corporations come from around the world, as do the professors at leading universities such as the ETH or the University of St.Gallen. We see similar patterns in other small successful nations such as the Netherlands and Singapore.

5. **Elite circulation:** Constant renewal at the top is very important, so that younger, more capable and ambitious potential members of the elite are afforded the opportunity to join the elite and become leaders. Instances where elites cling to their positions of authority irrespective of age and on the basis of favor are a bad sign and counterproductive to a vibrant, forward-looking culture. For example, Prime Minister Lee Hsien Loong of Singapore will step down in November 2024 at the age of 70, notwithstanding his ability, reputation, and legacy, while in Finland, the average age of cabinet members is just 45.

We have identified a 'Group of Eight' nations included in the EQx2024 that reflect the attributes discussed above in their exceptional EQx rankings and scores: Singapore (Rank #1), Switzerland (Rank #2), Netherlands (Rank #3), Israel (Rank #7), Sweden (Rank #9), Denmark (Rank #10), Finland (Rank #14) and Ireland (Rank #26).

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Visual 1.8: S8nations 2024 country comparison

Denmark

Finland

Ireland

Israel

Netherlands

Singapore

Sweden

Switzerland

Visual 1.9: Overview of EQx and sub-index ranks for S8nations

	EQx Rank	Power	Value	Political Power	Economic Power	Political Value	Economic Value
Singapore	1	21	1	24	18	1	2
Switzerland	2	17	2	8	26	2	6
Netherlands	3	3	9	3	6	7	15
Israel	7	16	5	36	4	5	5
Sweden	9	11	14	4	16	16	13
Denmark	10	15	10	6	28	6	16
Finland	14	12	19	1	25	24	19
Ireland	26	35	21	15	58	32	17

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