ELITE QUALITY INDEX
EQx2022

This PDF includes a contribution from the following book:

ELITE QUALITY REPORT 2022

Chile: Is one of the highest quality elites in the region becoming just another Latin American economy?

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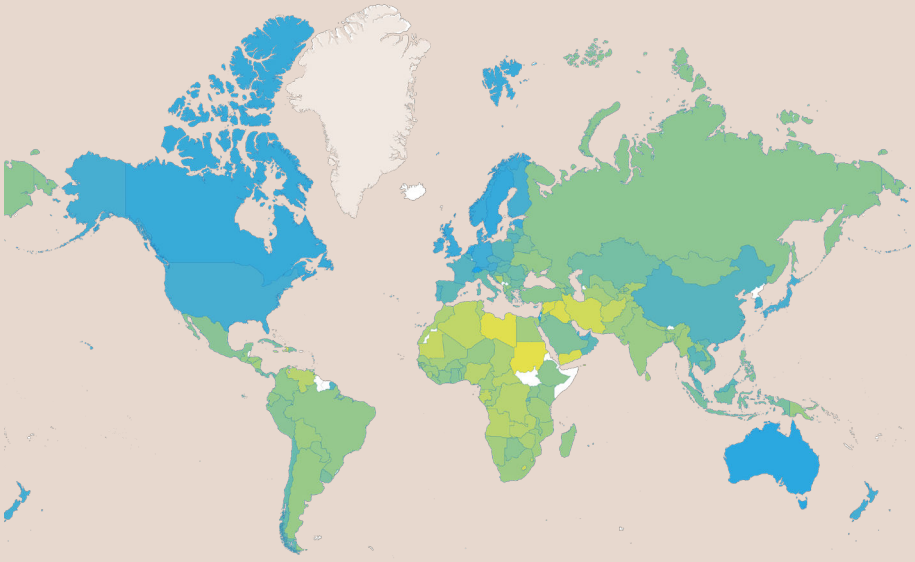

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Chile: Is one of the highest quality elites in the region becoming just another Latin American economy?

Chile, one of the leading Latin American countries, has an overall ranking of # 41 in the EQx2022. This is in line with other rankings on international competitiveness, prosperity, or globalization. Between 1990-2017 Chile experienced an accelerated increase in prosperity. After successful economic reforms, market liberalization and stabilization, poverty declined from 40% to 8.6%. During the same period inequality—measured by the 90/10 Indicator that shows the relationship between the incomes levels of those in the top 10% and bottom 10%—fell from approximately 30 to 20, with the real income of the poorest 10% increasing by more than 400%. Currently, Chile has preferential direct access to more than 80% of global GDP thanks to its 26 Free Trade Agreements (FTAs). Despite this 'economic miracle', the main threats to sustainable long-run development are political uncertainty and the legitimacy of its institutions. Chile's elites have faced severe challenges in recent years that range from social discontent to wealth concentration, all of which can be analyzed through the lens of Elite Quality in the EQx2022.

Compared to other nations in the region, Chile exhibits impressive performance on several fronts. For instance, it was one of the fastest countries in the world to complete its COVID-19 vaccination program (VAX, iii.7, rank # 3). At the same time, this came with a high cost as the country enforced one of the strictest and most long-lasting health policy interventions. The negative consequences of the long lockdown are evident in, among other Indicators, *COVID-19 lost school days* where Chile ranked very poorly (CLS, iii.7, rank # 119).

Chile's best performing area is in the Index Area of Political Power (i, rank # 27). This is as a result of low *Political corruption* (COR, i.1, rank # 19), which is uncommon for the region as a whole. It is also a leader in *Open government* (OPG, i.1, rank # 17), *Regulatory quality* (REQ, i.2, rank # 17) and receives an outstanding result in the Human Capture Pillar (rank # 14). However, despite these excellent rankings, Chile still has several problems in this area that potentially explain its current political instability and social discontent. One is *Social mobility (upward)*, where Chile is one of the world's worst performers (MOB, i.1, rank # 115), an outlier Indicator in the Political Power area.

When it comes to Indicators in the Index Area of Economic Power (ii, rank # 48), Chile still maintains its reputation as a friendly country for 'doing business'. Results such as *Barriers in service & network sectors* (BSN, ii.4, rank # 14), *SMEs per 1,000 people* (SME, ii.5, rank # 9), *Entrepreneurship* (ENT, ii.6, rank # 16) and *Listed firms turnover, long run 15 years* (TUL, ii.6, rank # 19) confirm this view. However, the worst Indicator scores in this area are related to market concentration, reflecting a very accurate characterization of the Chilean economy. For instance, *Billionaire's wealth as %* of GDP (BIW, ii.5, rank # 128) sees Chile ranked amongst the worst in the world. Moreover, compared to the EQx2021, Chile fell from # 11 in *Billionaire's creative destruction* to # 58 (BCD, ii.6,) and from # 20 to # 55 in *Government support to entrepreneurship* (GSE, ii.6,).

In the Economic Value Index Area (iv, rank # 50), Chile has strong results for those Indicators that we could conceive of as being structural, yet shows poor performance for those reflecting the current situation. The latter could be explained by the mediocre public policies implemented during recent years, some in response to social discontent or to the COVID-19 crisis. The strong structural side is evidenced by *Delta capital gains tax vs income tax* (DKI, iv.11, rank # 1), *ESG company scores* (ESG, iv.10, rank # 9), *Neutral interest rate* (DNI, iv.11, rank # 18) and *Unicorns per 1 million people* (UNC, iv.11, rank # 28). However, the current problems are reflected in the *Unemployment rate* (UEM, iv.12, rank # 117) and *Inflation* (DOI, iv.11, rank # 90) which is associated with oversized and sustained fiscal expenditure which included withdrawals from the pension system. The most concerning aspect of this Index Area is *Trade freedom* (TRF, iv.10, # 38), where Chile has seen a precipitous decline from its leading position in the EQx2021 (rank # 3). This reflects the current uncertainty about the intention of the new Boric government to 'review' all existing FTAs, which may affect the country's future prospects.

The big picture for Chile within the EQx2022 is telling. Although the country is the best ranked in Latin America and excels in several Indicators, there is a severe disconnect between its economic and political results. This contradiction is potentially explosive and has led to social discontent and to the writing of a new Constitution. At this critical juncture, can Chile continue to lead the region? Or will it become just another Latin American economy?

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Chile

EQx2022 Country Scorecard

Population	19 million
GDP (nominal)	253 billion USD
GDP per capita	13'346 USD

Level 1 – Index

EQx Rank / 151	EQx Score
41	54.2

Quality Elites

Level 2 – Sub-Indices & Index Areas

EQx Sub-Indices

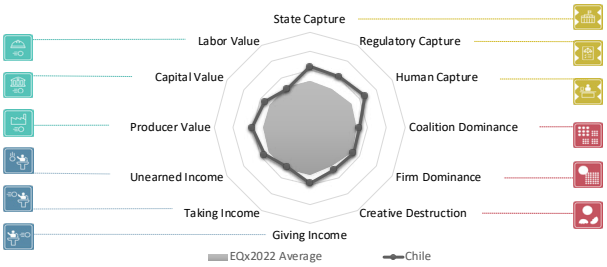
Power		Value	
Rank / 151	Score	Rank / 151	Score
37	55.5	45	53.5

EQx Index Areas

Political Power (i)		Economic Power (ii)		Political Value (iii)		Economic Value (iv)	
Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score
27	64.1	48	51.2	42	53.4	50	53.5

Level 3 – Pillars

		Rank / 151	Score
Political Power (i)	State Capture	27	64.4
	Regulatory Capture	35	62.0
	Human Capture	14	66.7
Economic Power (ii)	Coalition Dominance	59	51.9
	Firm Dominance	74	52.5
	Creative Destruction	50	50.4
Political Value (iii)	Giving Income	26	58.1
	Taking Income	98	47.3
	Unearned Income	42	55.2
Economic Value (iv)	Producer Value	22	60.5
	Capital Value	39	54.6
	Labor Value	95	47.1



Level 4 – EQx Indicators

			Rank / 151	Score
State Capture (i.1)	COR	Political corruption	19	86.9
	MOB	Social mobility (upward)*	115	16.1
	MOD	Social mobility (downward)* (n)	82	36.9
	PDE	Political decentralization	69	50.1
	ADE	Administrative decentralization	31	72.2
	PGL	Political globalization	36	71.3
	WPI	Women's Power Index	42	63.3
	RTC	Government's responsiveness to change	43	59.7
	EPR	E-Participation Index	29	73.6
	PFD	Press freedom	39	62.3
	COC	Control of corruption	20	82.8
	OPG	Open government (n)	17	79.8
	NJK	Nr. of journalists killed per 1 million people (2yrs avg.) (n)	1	58.2
Regulatory Capture (i.2)	REQ	Regulatory quality (n)	25	77.0
	CRO	Crony capitalism	48	43.5
	ECR	Ease of challenging regulations	42	59.8
	EDB	Digital institutional quality	27	41.7
	PRI	Property rights	38	68.1
	INO	Informal output as a % of GDP (n)	26	77.2
	CGP	Constraints on goverment power (n)	20	75.5
	REN	Regulatory enforcement (n)	30	66.1
Human Capture (i.3)	GSI	Global Slavery Index	5	72.5
	WBL	Women, business and the law	74	54.9
	LIN	LGBT+ inclusiveness	29	75.5
	GRI	Religion - Government Restriction Index	22	76.2
	SHI	Religion - Social Hostilities Index	25	73.7
	WSB	Women self made billionaires	15	39.1
	HRI	Human Rights Index	39	68.2
	FDP	Forcibly displaced population as % of population	50	56.2
	AFI	Academic Freedom Index	14	75.9
	FLS	Financial Literacy Score (n)	37	57.6
	WMA	Prop. of women in senior and middle mgmt. positions* (n)	13	80.4
Coalition Dominance (ii.4)	IEE	Top 3 industries exports as % of exports	97	30.7
	ECI	Economic Complexity Index	76	47.4
	IVA	Top 3 industries as % of VA	62	47.3
	CON	Construction as % of GDP*	40	26.0
	MIL	Military expenses as % of GDP*	17	68.2
	UNI	Unionization rate*	51	56.7
	CBC	Collective bargaining coverage	32	64.6
	BSN	Barriers in service & network sectors	14	63.6
	PUE	Public employees as a % of total employment (n)	64	54.0
	CRA	Criminal actors (n)	48	62.9
Firm Dominance (ii.5)	SME	SMEs per 1,000 people	9	71.4
	BIW	Billionaires' wealth as % of GDP	128	32.4
	FKG	Top 10 firms market cap as % of GDP	59	52.7
	FRG	Top 3 firms revenues as % of GDP	72	50.4
	FRR	Top 30 firms revenues as % of GDP	58	41.6
Creative Destruction (ii.6)	TUL	Listed firms turnover, long run 15 yrs	19	43.2
	TUS	Listed firms turnover, short run 3 yrs	21	41.9
	ENT	Entrepreneurship	16	82.9
	VCK	Venture capital finance	34	47.6
	RND	R&D as a % of GDP	73	47.5
	EXR	Firm exit ratio		
	BCD	Billionaire's creative destruction	58	16.0
	IWE	Index of Women Entrepreneurs	25	59.5
	VCA	Venture capital availability	26	69.7
	GSE	Governmental support to entrepreneurship	55	46.2
Giving Income (iii.7)	SNT	Subsidies and transfers as % of expenses	46	59.2
	REG	Regional redistribution as % of government budget	67	59.5
	EDU	School life expectancy	19	71.0
	GPS	Expenditure on general public services as % of GDP*		
	INT	Internet access	42	70.5
	NRI	Network Readiness Index	40	59.4
	LEW	Life expectancy women	25	73.1
	LEM	Life expectancy men	23	75.2
	FSQ	Global Food Security Index - availability, quality & safety	26	70.2
	COV	COVID-19 excess deaths, age-adjusted	67	38.6
	COF	COVID-19 fatality rate, age-adjusted	61	59.2
	COM	COVID-19 mortality rate, age-adjusted	123	30.2
	CLS	COVID-19 lost schooldays	119	18.0
	VAX	COVID-19 vaccination rate (n)	3	88.0
	OSI	Online Service Index	23	75.5
	UNV	Top universities (n)	38	50.3
	PIS	PISA mean scores (n)	42	41.3
	GEX	General government expenditure as % of GDP* (n)	1	74.4
Taking Income (iii.8)	DCT	Corporate tax rate*	34	64.7
	HOM	Homicide rate	87	41.0
	INE	Top 10% share of pre-tax national income	138	9.7
	FDE	Fiscal decentralization	42	37.5
	DTR	Tax revenue as % of GDP*	76	47.8
	BRD	Battle-related deaths per 100,000 people	1	54.2
	GCI	Global Cybersecurity Index	77	56.4
	SUI	Suicide rate per 100,000 people	93	51.5
	SUB	Death rates from substance use per 100,000 people	104	46.6
	DPS	Delta public vs private sector salaries (n)		
	GEG	Gender education gap (n)	4	81.9
Unearned Income (iii.9)	EPI	Environmental Performance Index	40	62.7
	DBT	Government debt as % of GDP	18	69.8
	NRR	Natural resources rents as % of GDP (n)	83	44.9
	CDO	CO2 emissions (metric tons per capita) (n)	83	34.2
	CRM	Criminal markets (n)	50	64.3
Producer Value (iv.10)	TRF	Trade freedom	38	74.6
	FDS	FDI inflows as % of GDP, stock	15	54.5
	BTF	Barriers to FDI	33	60.9
	EGL	Economic globalization	50	63.4
	HEI	Health Efficiency Index	29	46.5
	OFB	Open for business	37	47.0
	ESG	ESG company scores	9	68.5
	RDR	R&D as % of revenue Top 10 firms	56	41.1
	FSA	Global Food Security Index - affordability	38	68.0
	PAT	Nr. of patent applications per 100,000 people	47	45.8
	IPM	% of imports targeted by protectionist measures (flow)	77	57.3
	IPS	% of imports targeted by protectionist measures (stock) (n)	11	77.5
	DGI	% of discr. govt. interventions as % of total interv. (flow)	54	40.7
	DGS	% of discr. govt. interventions as % of total interv. (stock) (n)	46	63.6
Capital Value (iv.11)	DNI	Neutral interest rate*	18	54.9
	DOI	Inflation*	90	53.9
	GOL	Gold demand as % of GDP		
	DMA	M&A as % of investment - 3 yrs rolling avg.*	18	59.2
	DKI	Delta capital gains tax vs income tax	1	74.7
	UNC	Unicorns per 1 million people	28	43.0
	BSG	Billionaires self-made nr. per 1 million people	29	43.3
	BSM	Billionaires self-made as % of total billionaires	36	45.3
	FMI	Financial Markets Index	37	61.3
Labor Value (iv.12)	UEM	Unemployment rate	117	36.2
	LFP	Labor force participation rate	76	50.0
	WLP	Delta real wage vs labor productivity increases	23	37.9
	YUN	Youth unemployment rate	107	41.5
	BRN	Human flight and brain drain	30	72.3
	LFR	Labor force participation ratio - male vs female*	100	47.7

* Calculated as the deviation from a conceptual optimum

(n) Refers to Indicators newly incorporated in the EQx2022

The Elite Quality Report 2022 (EQx2022) provides Country Scores and Global Rankings for 151 countries

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