



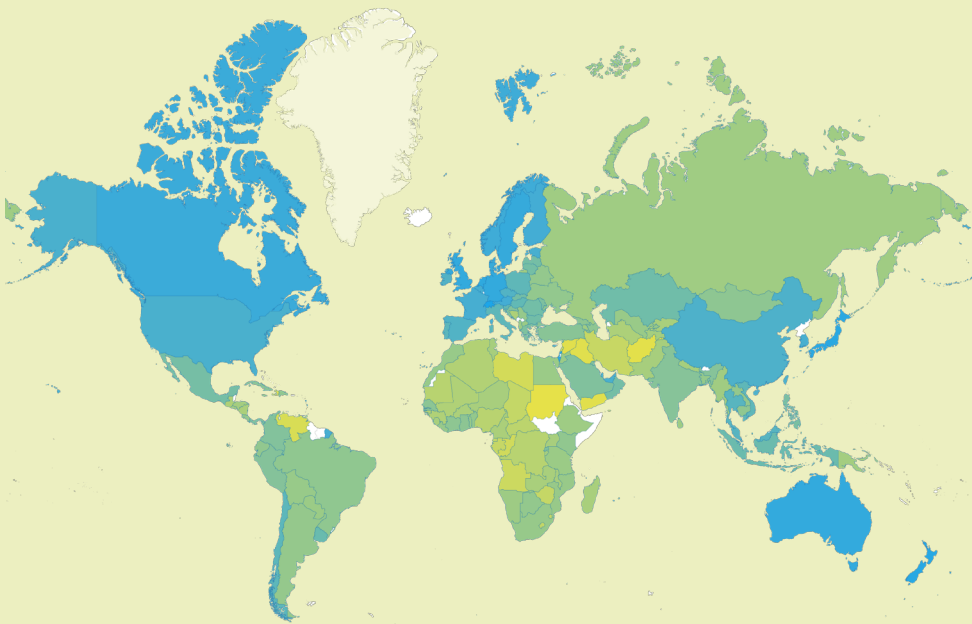
**ELITE QUALITY  
INDEX**  
EQx2023

This PDF includes a contribution from the following book:

# ELITE QUALITY REPORT 2023

## China: High Elite Quality points to sustained growth ahead

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## China: High Elite Quality points to sustained growth ahead

China's overall global ranking in the EQx2023 has moved up and to # 22 (from # 27 in the EQx2022), suggesting that the country has continued to improve its ability to deliver Value through the business models of its elite system. China performed extremely well across many areas including in the Pillars of Creative Destruction (ii.6, rank # 9), Giving Income (iii.7, rank # 6), Capital Value (iv.11, rank # 1) and Labor Value (iv.12, rank # 14). Given a turbulent world economy impacted by the COVID-19 pandemic and its aftermath, this performance points to the resilience of China's political and economic elites and their ability to respond constructively to uncertainty and risk.

This rise in Elite Quality elicits one key question: how can a middle-income country like China have a score that is comparable to an advanced economy? The answer, as discussed in my comment on the EQx2022 report, is traceable to China's long history of state formation and the evolution of a bureaucratic system that focuses on the long-term and hence on Sustainable Value Creation. For example, Inflation, an extractive elite business model that is attractive to elites in times of crises and now rearing its head in many countries around the world to hurt ordinary citizens, is absent in China, which enjoys price stability (DOI, iv.11, rank # 1). Looking forward, the question above might also be framed slightly differently: when will China's GDP per capita match its Elite Quality score?

China's score and ranking in the EQx is much higher than its income per capita. One might look at the fitted value differentials for a selection of 32 countries as an indication of GDP per capita (ppp) growth prospects, and see that China is well below the fitted line. This strongly suggests that China is likely to increase its income per capita levels in the future until these match those of countries that have similar levels of Elite Quality. Specifically, the current GDP per capita of about USD12,000, or USD19,000 in ppp terms, is poised to at least double. How so?

Income and productivity growth is enhanced mainly by technology advances which are made possible by scaling up the level of human and physical capital. But for a huge country like China, its sheer size means that capital accumulation processes require a much longer time period to reach the threshold after which technology is the key to economic growth. My assessment is that China is on course to moving closer to such a threshold. The fact that China is now facing more friction with the West will not help this ascendent trajectory, but neither will it derail China's progress as long as its domestic elite business models continue to emphasize Value Creation and refrain from extractive value transfers.

China has made clear its long-term income growth goals for 2035 and 2050. The doubling of its GDP will be achieved on the basis of continued reforms and a dynamic political elite that will facilitate investments in the country's human and physical capital. The productive balance between political and economic elites, a combination of state capacity and competitive markets, lies at the core of the Chinese model.

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# China

## EQx2023 Country Scorecard

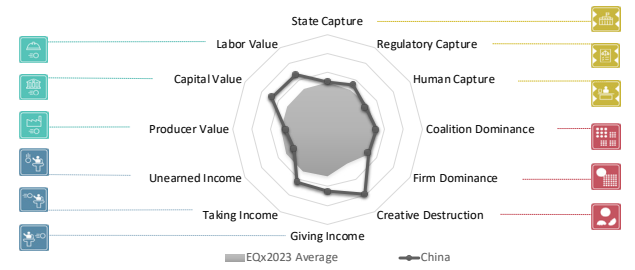
Population **1'412.4 million**  
 GDP (nominal) **17'734 billion USD**  
 GDP per capita **12'556 USD**



<b>Level 1 - Index</b>	<b>EQx Rank / 151</b> <b>22</b>	<b>EQx Score</b> <b>60.3</b>	<b>NextGen VCB Rank</b> <b>Rank 54</b>	<b>High Quality Elites</b>
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Level 2 - Sub-Indices & Index Areas	EQx Sub-Indices				EQx Index Areas							
	Power (i)		Value (ii)		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
	25	61.1	17	59.9	62	50.6	11	66.3	11	58.2	21	60.8

Level 3 - Pillars	Rank / 151	Score
<b>Political Power (i)</b>		
State Capture	61	50.4
Regulatory Capture	55	54.4
Human Capture	92	46.1
<b>Economic Power (ii)</b>		
Coalition Dominance	71	51.6
Firm Dominance	86	49.9
Creative Destruction	9	78.6
Giving Income	6	65.3
<b>Political Value (iii)</b>		
Taking Income	11	63.9
Unearned Income	131	41.1
<b>Economic Value (iv)</b>		
Producer Value	97	44.5
Capital Value	1	68.1
Labor Value	14	66.9



Level 4 - EQx Indicators	Rank / 151	Score
<b>State Capture (i.1)</b>		
COR Political corruption	57	57.1
COC Control of corruption	50	55.2
OPG Open government	92	29.9
RTC Government's responsiveness to change	44	59.4
EPR E-Participation Index	13	87.0
PFD Press freedom	148	1.7
NJK Nr. of journalists killed per 1 million people (2yrs avg.)	1	62.5
PDE Political decentralization	120	23.3
ADE Administrative decentralization	14	82.9
PGL Political globalization	24	79.0
WPI Women's Power Index	130	25.3
MOB Social mobility (upward) (dev. fm optimum)	75	40.9
INE Top 10% share of pre-tax national income	62	56.4
GWL Gini coefficient on net national wealth dist. - level	97	54.5
GWC Gini coefficient on net national wealth dist. - 3-year growth	147	29.7
GIL Gini coefficient on income dist. - level	84	47.6
GIC Gini coefficient on income dist. - 1-year growth rate	32	52.3
<b>Regulatory Capture (i.2)</b>		
ECR Ease of challenging regulations	32	70.1
CGP Constraints on government power	116	18.3
REQ Regulatory quality	81	43.7
REN Regulatory enforcement	65	41.4
PRI Property rights	87	39.7
CRO Crony capitalism	33	57.6
INO Informal output as a % of GDP	5	92.4
<b>Human Capture (i.3)</b>		
GSI Global Slavery Index	50	62.6
FDP Forcibly displaced population as % of population	53	56.4
HRI Human Rights Index	147	9.8
AFI Academic Freedom Index	120	11.5
GRI Religion - Government Restriction Index	146	0.0
LIN LGBT+ inclusiveness	82	41.0
WSB Women self made billionaires	4	97.8
WBL Women, business and the law	96	47.6
WMA Proportion of women in senior and middle mgmt positions (		
<b>Coalition Dominance (ii.4)</b>		
IEE Top 3 industries exports as % of exports	57	58.2
IEO Top 1 industry exports as % of exports	41	67.9
IVA Top 3 industries as % of VA		
HHI Domestic market diversification	17	69.6
ECI Economic Complexity Index	26	76.2
PUE Public employees as a % of total employment		
MIL Military expenses as % of GDP (dev. fm optimum)	109	43.2
UNI Unionization rate (dev. fm optimum)	112	6.0
BSN Barriers in service & network sectors	43	6.7
CRA Criminal actors	102	37.4
<b>Firm Dominance (ii.5)</b>		
SME SMEs per 1,000 people		
FAM Family business revenues as percentage of GDP	42	23.6
BIW Billionaires' wealth as % of GDP	128	36.2
FKG Top 10 firms market cap as % of GDP	20	60.7
FRG Top 3 firms revenues as % of GDP	20	65.3
FRR Top 30 firms revenues as % of GDP	18	59.6
<b>Creative Destruction (ii.6)</b>		
ENT Entrepreneurship	29	66.7
GSE Governmental support to entrepreneurship	44	50.4
VCK Venture capital finance	14	72.0
VCA Venture capital availability	10	87.8
RND R&D as a % of GDP	12	82.3
EXR Firm exit ratio		
BCD Billionaire's creative destruction	1	100.0
IWE Index of Women Entrepreneurs	25	63.5
<b>Giving Income (ii.7)</b>		
LEW Life expectancy women	30	72.9
LEM Life expectancy men	32	72.7
VAX COVID-19 vaccination rate	91	37.8
COM COVID-19 mortality rate, age-adjusted	1	76.5
COF COVID-19 fatality rate, age-adjusted	2	61.2
COV COVID-19 excess deaths, age-adjusted		
CLS COVID-19 lost schooldays	36	73.4
SCI UHC Service coverage index	20	76.9
PTR Pupil-teacher ratio	49	64.9

Rank / 151	Score
EDU School life expectancy	68 55.3
PIS PISA mean scores	1 100.0
UNV Top universities	48 26.7
GEE Government education expenditure	101 37.1
OSI Online Service Index	15 80.8
NRI Network Readiness Index	22 80.2
INT Internet access	70 62.9
FSQ Global Food Security Index - availability, quality & safety	15 79.0
GPS Expenditure on general public services as % of GDP (dev. fm	32 56.0
GEX General government expenditure as % of GDP (dev. fm optimr	1 78.1
SNT Subsidies and transfers as % of expenses	
REG Regional redistribution as % of government budget	68 59.4
SUB Death rates from substance use per 100,000 people	57 59.8
BRD Battle-related deaths per 100,000 people	1 54.2
HOM Homicide rate	114 50.9
SUI Suicide rate per 100,000 people	84 53.8
DTR Tax revenue as % of GDP (dev. fm optimum)	46 65.3
DCT Corporate tax rate (dev. fm optimum)	4 79.4
DPS Delta public vs private sector salaries	
FDE Fiscal decentralization	5 97.7
GCI Global Cybersecurity Index	35 70.8
GEG Gender education gap (dev. fm optimum)	
<b>Unearned Income (iii.9)</b>	
CRM Criminal markets	111 29.5
DBT Government debt as % of GDP	95 47.5
NRR Natural resources rents as % of GDP	55 54.0
GPA Green patents	25 75.5
EPI Environmental Performance Index	130 22.1
DER Deforestation Rate	119 29.6
FUS Fertilizer usage kg per hectar	128 33.9
TLP Terrestrial land protected	81 45.4
CDO CO2 emissions (metric tons per capita)	127 33.1
AIR Air quality index	79 34.1
HAZ Hazardous Waste per capita	68 52.9
WPC Waste collected per capita	28 58.5
MWR Municipal Waste Recycling Rate	
FIS Fishing consumption as % of population	138 4.4
MET Red meat consumption kilograms per capita	120 24.3
<b>Producer Value (iv.10)</b>	
PAT Nr. of patent applications per 100,000 people	1 100.0
FBH Financial burden of healthcare	126 0.0
HEI Health Efficiency Index	10 75.1
DMS Density of medical staff	61 46.3
FSA Global Food Security Index - affordability	33 72.2
FDS Inward FDI as a % of GDP, Stock	136 40.5
BTF Barriers to FDI	69 24.6
OFB Open for business	50 46.5
EGL Economic globalization	102 34.7
TRF Trade freedom	74 55.8
IPM Share of imports targeted by protectionist measures (flow)	67 36.2
IPS Share of imports targeted by protectionist measures (stock)	121 1.7
DGI Share of discriminatory government interventions as % of totc	49 65.4
DGS Share of discriminatory government interventions as % of totc	46 58.7
<b>Capital Value (iv.11)</b>	
DOI Inflation (dev. fm optimum)	1 60.3
DEF GDP deflator index growth rate (dev. fm optimum)	8 59.0
DNI Neutral interest rate (dev. fm optimum)	4 69.5
FMI Financial Markets Index	15 91.2
GFC Gross capital formation	1 100.0
DMA M&A as % of investment - 3 yrs rolling avg. (dev. fm optimum)	45 49.8
GOL Gold demand as % of GDP	14 44.5
UNC Unicorns per 1 million people	15 41.3
BSG Billionaires self-made nr. per 1 million people	20 49.8
BSM Billionaires self-made as % of total billionaires	13 78.1
<b>Labor Value (iv.12)</b>	
LPG Labor productivity growth	5 65.4
WLP Delta real wage vs labor productivity increases	
LFP Labor force participation rate	18 77.7
LFR Labor force participation ratio - male vs female	55 63.8
UEM Unemployment rate	51 63.6
YUN Youth unemployment rate	54 64.2
BRN Human flight and brain drain	36 69.8

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