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<th>Indicator Name</th>
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<th>Value Creation/Extraction</th>
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<tr>
<td>COR</td>
<td>Political corruption</td>
<td>This indicator is based on the political corruption subset of the Varieties of Democracies Database. The measure includes measures of six distinct types of corruption that cover different areas and levels of the polity realm, distinguishing between executive, legislative and judicial corruption. It measures the extent to which these different types of corruption are present. The measure employs a scale from 0 to 100, with higher scores indicating greater corruption.</td>
<td>Varieties of Democracies (V-DEM)</td>
<td>Extraction</td>
</tr>
<tr>
<td>MOB</td>
<td>Social Mobility</td>
<td>The intergenerational mobility database measures the differences in economic mobility across generations. The main focus is on the mobility of education by measuring the share of individuals in the 1980s cohort who have entered the labor market.</td>
<td>The World Bank, GDAM Database</td>
<td>Creation</td>
</tr>
<tr>
<td>PDE</td>
<td>Political decentralization</td>
<td>Political decentralization examines the self-governance of local governments. EQx uses the political decentralization subset of the World Bank decentralization indicators. This subset assesses the degree of decentralization at the local level and the extent to which local governments are able to make decisions independently.</td>
<td>The World Bank, Policy Research Working Paper</td>
<td>Creation</td>
</tr>
<tr>
<td>ADE</td>
<td>Administrative decentralization</td>
<td>This indicator is based on the administrative decentralization subset of the World Bank decentralization indicators. This subset measures the extent to which local governments are able to make decisions independently.</td>
<td>The World Bank, Policy Research Working Paper</td>
<td>Creation</td>
</tr>
<tr>
<td>PGL</td>
<td>Political globalization</td>
<td>Political globalization is measured by using the political dimension of the KOF Globalization index. It encompasses factors such as the number of embassies and international NGOs, as well as the participation in UN peacekeeping missions. Moreover, it comprises variables relating to membership in international organizations and international treaties.</td>
<td>ETHZ, The KOF Globalization Index</td>
<td>Creation</td>
</tr>
<tr>
<td>WPI</td>
<td>Women's Power Index</td>
<td>The Women's Power Index measures the access to political power at the state's top echelons. It analyzes the proportion of women who serve as heads of state or government, in cabinets, in national legislatures, as candidates for national legislatures, and in local government bodies (CFR, Website).</td>
<td>The Council of Foreign Relations (CFR)</td>
<td>Creation</td>
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<tr>
<td>GRC</td>
<td>Government's responsiveness to change</td>
<td>This WEF Global Competitiveness Index Indicator is based on the survey question: “In your country, to what extent does the government respond effectiveness to change (e.g., technological changes, societal and demographic trends, security and economic challenges)”. (WEF Website). The WEF Executive Opinion Survey captures the views of more than 16,000 business executives in 140 countries.</td>
<td>World Economic Forum, The Global Competitiveness Index</td>
<td>Government’s responsiveness to change is a determining factor with respect to incentivizing Value Creation business models. A state free from change-resistant vested interests is open to new possibilities, risks and interest groups inspired and enabled by emerging trends and disruptions. It is thus in such an environment that Value Creation opportunities are most recognized and enabled from a regulatory perspective.</td>
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<tr>
<td>Pillar (i.2):  Regulatory Capture</td>
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<tr>
<td>DBI</td>
<td>Institutional quality</td>
<td>The World Bank Ease of Doing Business Index serves as a proxy to measure institutional quality. “A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm” (WB Website).</td>
<td>The World Bank, Doing Business Index</td>
<td>The World Bank’s benchmark index of “domestic business regulatory environments” measures institutional quality by examining the regulations affecting local non-elites SMEs. The World Bank’s benchmark index of “domestic business regulatory environments” measures institutional quality by examining the regulations affecting local non-elites SMEs, and the regulations that enhance business activity and those that constrain it. It is a measure of Political Power and Institutional Capture as high-quality institutions are inclusive, support globalization and protect non-elites and forestall the capture of regulators by elites implementing Value Extraction business models.</td>
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<tr>
<td>CRO</td>
<td>Crony-capitalism</td>
<td>This Indicator measures the wealth accumulated by a nation’s billionaires from activities in industries classified as “Crony” by the Economist, i.e. “unsusceptible to monopoly or requiring licensing or highly dependent on the government” (The Economist, 2016).</td>
<td>Forbes Billionaires list &amp; The World Bank GDP</td>
<td>In Wikipedia, Crony-Capitalism is defined as a measure of the “trend in the number of economic rent seekers. The assumption behind is because of the favorable political policies set by the government officials, the tycoons are increasing their wealth and interest. As a result, they get a larger part of the public’s labor, instead of generating more wealth for the whole society.” Large rent producing industries are heavily regulated. When elites (billionaires) in a country derive a comparatively large part of their wealth from such industries it signals successful Regulatory Capture on the back of Political Power. Otherwise institutions and their regulators would limit returns of these activities, precluding the large rents that convert Political Power into Economic Power.</td>
</tr>
<tr>
<td>EXP</td>
<td>Expropriation risk</td>
<td>“The risk of expropriation encompasses all discretionary measures taken by a host government which deprive the investor of its investment without any adequate compensation; (…) events of embargo, change of (legal) regime and denial of justice are included. (…) The indicator does not only assess the risk attached to expropriations as such, but also the functioning of legal institutions in the host country and the probability of a negative change in attitude towards foreign investments” (The Global Economy, Website).</td>
<td>Credendo</td>
<td>Expropriation is a transfer of Value from one subset of the political economy to another affected through institutions that have been captured by the extractive elites. High Expropriation risk reflects high levels of Institutional Captures by elite rent seekers causing deadweight social losses when the business assets in question are transferred. Also, expropriation as an exercise of Political Power lowers the incentives for Value Creation business models as such, as it questions the essential institution of private property. Thus, foreign firms and investors with the potential to increase Value in the economy, but whom are even less protected than domestic non-elites, are wary of entering unfamiliar alliances with local elites and stay away.</td>
</tr>
<tr>
<td>PMI</td>
<td>Protecting Minority Investors</td>
<td>This World Bank Ease of Doing Business Indicator “measures the strength of minority shareholder protections against misuse of corporate assets by directors for their personal gain as well as shareholder rights, governance safeguards and corporate transparency requirements that reduce the risk of abuse” (WB Website).</td>
<td>The World Bank, Doing Business Indicators</td>
<td>Corporate elites can expropriate Value from more distributed groups if Protecting Minority Investors is not assured by institutions. Stiglitz and Walsh (1997, p.789) point out that with weak protections “large owners gain nearly full control and prefer to use firms to generate private benefits of control that are not shared by minority shareholders”. The Political Power of a specific elite subset - large shareholder interests and top management of corporations - succeeds in a Regulatory Capture form that pre-empts the efficient allocation of capital to potential Value Creation projects and causes the transfer of Value from distributed minority investors to concentrated interests.</td>
</tr>
<tr>
<td>ECR</td>
<td>Ease to Challenge Regulations</td>
<td>This WEF Global Competitiveness Index Indicator is based on the survey question: “In your country, how easy is it for private businesses to challenge government actions and/or regulations through the legal system” (WEF Website). The WEF Executive Opinion Survey captures the views of more than 16,000 business executives in 140 countries.</td>
<td>World Economic Forum, The Global Competitiveness Index</td>
<td>Ease to Challenge Regulations by private businesses implies regulatory capture through the legal avenue. Businesses successfully defeat in courts regulations enacted to limit their rent seeking, such as rules that foster competition and thus keep Value Extraction activities in check. A counter argument is that the legal system could serve as a check to balance the Power of political elites. <em>An optimal level might be established in the future.</em></td>
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<tr>
<td>Pillar (i.3):  Human Capture</td>
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<tr>
<td>UNI</td>
<td>Unionization rate</td>
<td>Unionization rate, i.e. the trade union density rate (%), represents the total membership of (independent) trade unions in a nation as a percentage of all employees.</td>
<td>International Labour Organisation, IL/OSCEAT Database</td>
<td>The Unionization rate points to the Political Power of unions and their political influence and bargaining power. Unions act as insiders, a labor elite, representing the interests of certain - not all - workers, and not the unemployed. The higher the Unionization rate, the higher the likelihood that unionized employees, civil servants etc. engage in Value Extraction. A dominant position of unions is associated with intra-labor rent seeking (by setting minimum wages above the market equilibrium, strengthening workers’ protection against firing even when engaged in unproductive, Value Extraction behavior, etc.). As a counter argument, low Unionization rates allow for the exploitation of worker surplus by business elites, especially under certain socio-economic situations where labor is unprotected and disallowed from collective action. <em>An optimal level might be established in the future.</em></td>
</tr>
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<tr>
<td>PSE</td>
<td>Public sector employees as % of total employment</td>
<td>This indicator is computed as public sector employment in general government sector (defined in System of National Accounts, SNA) plus employment of public corporations, minus employees in public health and education, as % of total employment. The values are obtained by the normalization of the Index “Public administration and defense” by the population.</td>
<td>International Labor Organization, ILOSTAT Database</td>
<td>Excessive numbers of public sector workers in non-health and non-education areas reflected in Public sector employees as % of total employment point to Political Power of elite labor interest groups. These interest groups are extractive when labor markets are distorted and economic productivity suffers. The cost of excessive public sector workers is paid for by taxes or government borrowing, that is by the rest of the working class. As a counter argument, there exists a certain number of tasks in the economy that are most effectively carried out by the public sector. * A tentative optimum is suggested at 1.5% (pending further research).</td>
</tr>
<tr>
<td>CBC</td>
<td>Collective Bargaining Coverage</td>
<td>&quot;The collective bargaining coverage rate conveys the number of employees whose pay and/or conditions of employment are determined by one or more collective agreement(s) as a percentage of the total number of employees (ILOSTAT Database).&quot;</td>
<td>International Labor Organization, ILOSTAT Database</td>
<td>Collective Bargaining Coverage refers to the bargaining power of employees or groups of employees. The higher their bargaining power, the higher their ability to exert dominance over the political economy. Collective Bargaining Coverage as a reflection of Human Capture and potential Value Extraction is similar to the Unionization rate (UNI, i:3) and might prevent exploitation of workers by corporate elites. However, Unionization rate <em>only</em> measures the extent of unionization and tells us very little about the influence or bargaining power of unions. Collective bargaining may still play a very significant role and collective agreements cover a high proportion of workers in countries with low trade union density, as is the case in France. (ILO, website). * This indicator might be subject to an optimum (EQu further research project).</td>
</tr>
<tr>
<td>GSI</td>
<td>Global Slavery Index</td>
<td>The Global Slavery Index is an &quot;independent assessment of government progress towards achieving UN Sustainable Development Goal 8.7 (eradication of modern slavery)&quot; (GSI Website). The estimated prevalence of modern slavery per 1,000 people is measured, whereby modern slavery &quot;refers to situations of exploitation that a person cannot refuse or leave because of threats, violence, coercion, abuse of power or deception&quot; (GSI, Report (2018), p. 7). It is an umbrella term that encompasses phenomena such as forced labor, human trafficking and slavery-like practices (e.g. forced marriage).</td>
<td>The Mindinger Foundation Pty Ltd and the Walk Free Foundation</td>
<td>Modern slavery is an intolerable form of rent extraction where wealth is transferred from the modern slaves to those whose Value Extraction business models benefit from exploited labor or from wages below market equilibrium. Moreover, the Global Slavery Index goes beyond forced labor and also measures Human Capture in family settings (forced marriage) and in despicable trade activity (human trafficking).</td>
</tr>
<tr>
<td>WBL</td>
<td>Women, Business and the Law</td>
<td>The Women, Business and the Law index measures &quot;gender inequality in the law. The dataset identifies barriers to women's economic participation&quot; by analyzing &quot;laws and regulations affecting women's economic inclusion&quot; (WB, Website).</td>
<td>The World Bank</td>
<td>Laws and regulations affecting women's inclusion are a blatant form of value extraction, limiting competition in the labor market. These barriers to Value Creation, with the consequent capture of half of the human capital in the economy, are all the more detrimental because they are institutionally explicit and formalized.</td>
</tr>
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**Sub-Index II: Power, Index Area (ii): Economic Power**

**Pillar (ii.4): Industry Dominance**

| IEE | Top 3 industries exports as % of GDP | This indicator reflects the sum of the exports of a nation's 3 top exporting industries divided by the country's respective GDP. | United Nations, Comtrade Database [exports] & The World Bank [GDP] | The relative size of an industry measured by Top 3 industries exports as % of GDP, indicates Industry Dominance in the national economy. This power can be derived from Value Creation competitiveness, historical origins, geography (e.g. natural resources or maritime access), or it can derive from Economic Power such as privileged access to resources, and is thus an indicator of concentration on the basis of export and of future Value Extraction. Diversified exports are an indicator of inclusive and broad Value Creation in the economy. A counter argument sees the rationale of specialization in the international market contest, especially for smaller countries, even though these ultra-dominant exporting elites might develop an extractive model at home to complement their intentional Value Creation one. *An optimal level might be established in the future. | Extraction |

| IRE | Top 3 industries as % of GDP | This indicator reflects the sum of the revenues of a nation's 3 biggest industries divided by the country's respective GDP. | UNStats, Accounts Official Country Data | Top 3 industries as % of GDP reflects the Economic Power of leading industries (without providing any indication of their competitiveness as for instance Top 3 industries exports as % of GDP (EE, ii.4) does). This measure of Industry Dominance is an indicator of concentration on the basis of the size of their activities, which being domestic afford increased leverage over the national political economy and thus of future potential Value Extraction. | Extraction |

<p>| ECI | Economic Complexity Index | The Economic Complexity Index sorts countries on the amount of productive knowledge implied in their export structures, i.e. &quot;how diversified and complex their export basket is&quot; (ECI, Website). | The Observatory of Economic Complexity (CEC) | The Economic Complexity Index is a measure of inclusive Value Creation as it measures the diversity of specialized knowledge and organizations throughout the economy, reflecting distributed Economic Power. Elites in countries of high economic complexity are value creators and their cashflows do not depend on Economic Power but rather on the rich, diverse and broad ecosystems to which they contribute. | Creation |</p>
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<tr>
<td>IVA</td>
<td>Top 3 industries as % of VA</td>
<td>This indicator reflects the sum of the value-added induced by a nation’s 3 top industries divided by the country’s total value-added. Value-added is the net output of a sector after summing all outputs and subtracting intermediate inputs.</td>
<td>UNstats, National Accounts Estimates of Main Aggregates</td>
<td>Top 3 industries as % of VA reflects Economic Power of leading industries. It indicates more industry competitiveness than Top 3 industries as % of GDP (IEE, ii.4) but less than Top 3 industries exports as % of GDP (IEE, ii.4). This measure of Industry Dominance is an indicator of concentration on the basis of added value and profitability in the domestic political economy and thus provides the resources for future potential Value Extraction.</td>
<td>Creation</td>
</tr>
<tr>
<td>PRO</td>
<td>Top 10 firms profitability</td>
<td>This indicator measures the average profitability (profits divided by revenues) of a country’s top 10 companies in terms of profits.</td>
<td>ThomsonOne</td>
<td>Top 10 firms profitability is an indicator of Firm Dominance in the economy, which might accrue from Economic Power. The larger the profitability of the nation’s top companies, the higher the likelihood that dominance is the result of supracompetitive pricing or other types of Value Extraction anticompetitive conduct. Findings (for the last 20 years in US) show that “profitability has risen for firms in those industries experiencing increases in concentration levels.” (Grullon et al., 2019). This measure of Economic Power might correlate with future rent seeking.</td>
<td>Extraction</td>
</tr>
<tr>
<td>SME</td>
<td>SMEs per 1,000 people</td>
<td>This indicator is based on a subset of the MSME Database recording the number of formally registered small and medium-sized enterprises (SMEs) per 1,000 people in an economy.</td>
<td>SME Finance Forum, MSME Economic Indicators</td>
<td>SMEs per 1,000 people is a measure of a distributed economy with a diversity of Value Creation models. SME business models must rely on Value Creation; their low Economic Power levels don’t afford them many possibilities of Value Extraction. As a counter argument, SMEs have been found to be less efficient than large firms. <em>An optimal level might be established in the future.</em></td>
<td>Creation</td>
</tr>
<tr>
<td>ATX</td>
<td>Antitrust exemptions</td>
<td>Antitrust exemptions (ATX) is a subset of the OECD Product Market Regulation (PMR) Database and assesses the commonplace of exemptions to competition laws in a nation’s various industries.</td>
<td>OECD, Product Economic Regulation Statistics</td>
<td>Antitrust exemptions point to monopoly power left unaddressed by institutions. When exemptions abound, Firm Dominance is able to suffocate voices in the political economy that advocate for the elimination of monopoly rents and related Value Extraction. As a counter argument, there has been a long-standing legal debate (in the U.S.) about what constitutes monopolistic competition, with one position centering around consumer welfare and prices, more than on dominance.</td>
<td>Extraction</td>
</tr>
<tr>
<td>BIW</td>
<td>Billionaires’ wealth as % of GDP</td>
<td>This indicator measures the sum of a nation’s billionaires’ total accumulated wealth (as of last day of calendar year) as a percentage of GDP.</td>
<td>Forbes [Billionaires list] &amp; The World Bank [GDP]</td>
<td>Billionaires’ wealth as percentage of GDP shows Firm Dominance by depicting the relative weight of elite firm and asset owners relative to total national income. A billionaire is the narrowest of coalitions as Firm Dominance is traceable to a single individual. Such powerful individuals and the descendents of founder families might switch over time their business models from Value Creation to Extraction if they don’t manage to innovate and incorporate into their empires the possibilities afforded by emerging technologies.</td>
<td>Extraction</td>
</tr>
<tr>
<td>FKG</td>
<td>Top 10 firms market cap as % of GDP</td>
<td>This indicator reflects the sum of the market capitalizations of a country’s 10 largest firms - defined by market capitalization (as of last day of calendar year) - divided by its GDP.</td>
<td>ThomsonOne</td>
<td>The relative size of leading firms measured by Top 10 firms market cap as % of GDP indicates the level of Economic Power of large firms. Such Firm Dominance can potentially be converted into future Value Extraction.</td>
<td>Extraction</td>
</tr>
<tr>
<td>FRG</td>
<td>Top 3 firms revenues as % of GDP</td>
<td>This indicator reflects the sum of the revenues of a country’s 3 largest firms - defined by revenues - divided by its GDP.</td>
<td>ThomsonOne</td>
<td>The relative size of leading firms measured by Top 3 firms revenues as % of GDP indicates very high Economic Power by leading firms, and their high systemic relevance within a country’s economy. Such Firm Dominance can potentially be used in the future to extract value. As a counter argument, such gains may benefit from economies of scale and be national champions delivering public goods like innovation, highly paid jobs and knowledge spillovers. <em>An optimal level might be established in the future.</em></td>
<td>Extraction</td>
</tr>
<tr>
<td>FRR</td>
<td>Top 30 firms revenues as % of GDP</td>
<td>This indicator reflects the sum of the revenues of a country’s 30 largest firms - defined by revenues - divided by its GDP.</td>
<td>ThomsonOne</td>
<td>The relative size of leading firms measured by Top 30 firms revenues as % of GDP indicates the level of Economic Power of large firms. Such Firm Dominance can potentially be used in the future to extract value. As a counterg, such gains may benefit from economies of scale and be national champions delivering public goods like innovation, highly paid jobs and knowledge spillovers. <em>An optimal level might be established in the future.</em></td>
<td>Extraction</td>
</tr>
<tr>
<td>LER</td>
<td>Lerner Index banking sector</td>
<td>The Lerner Index is defined as “the difference between output prices and marginal costs (relative to prices)”. This Indicator is focused on the banking sector, therefore “prices are calculated as total bank revenue over assets, whereas marginal costs are obtained from an estimated translog cost function with respect to output” (WB, Website).</td>
<td>The World Bank</td>
<td>The banking sector has a very important function within an economy, as its incentive is to allocate capital to the risk adjusted highest expected return projects in the economy, which theoretically are associated with future Value Creation. The Lerner index banking sector measures the competition in the banking market and is therefore an important measure of Firm Dominance. Not only would excessive, non-competitive Economic Power distort Value Creation in the banking industry, it would do so at the general economy level.</td>
<td>Extraction</td>
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<td>TUL</td>
<td>Listed firms turnover, long run 1.5 years</td>
<td>This indicator measures the long-run turnover rate of firms in the leading stock exchange indices of the respective countries. The average turnover of the last 15 years is calculated.</td>
<td>Thomson Reuters Eikon</td>
<td>The leading listed companies represent the nation's corporate elites. Their economic dominance is reflected by the length of their tenures in the national stock market indices. Listed firms turnover, long run 1.5 years measures the Creative Destruction in the top rungs of the corporate world. The higher the turnover, the greater the new Value Creation at the expense of less efficient incumbent firms over the long run. The assumption here is that incumbent firms are not as innovative, and the counter argument is evidence of large innovators who have passed the test of time. *An optimal level might be established in the future.</td>
<td>Creation</td>
</tr>
<tr>
<td>TUS</td>
<td>Listed firms turnover, short run 3 years</td>
<td>This indicator measures the short-run turnover rate of firms in the leading stock exchange indices of the respective countries. The average turnover of the last 3 years is calculated.</td>
<td>Thomson Reuters Eikon</td>
<td>The leading listed companies represent the nation’s corporate elites. Their economic dominance is reflected by the length of their tenures in the national stock market indices. Listed firms turnover, short run 3 years measures the Creative Destruction in the top rungs of the corporate world. The higher the turnover, the greater the new Value Creation at the expense of less efficient incumbent firms over the short run. The assumption here is that incumbent firms are not as innovative, and the counter argument is evidence of large innovators who have passed the test of time. *An optimal level might be established in the future.</td>
<td>Creation</td>
</tr>
<tr>
<td>ENT</td>
<td>Entrepreneurship</td>
<td>The level of Entrepreneurship is captured through the GEDI Index, which measures &quot;the entrepreneurial attitudes, abilities, and aspirations of the local population (weighted) against the prevailing social and economic infrastructure&quot; (GEDI, Website).</td>
<td>The Global Entrepreneurship and Development Institute (GEDI)</td>
<td>This indicator evidences institutional and social support for new ventures with Creative Destruction and disruption potential. High Entrepreneurship levels mean that incumbents have low Economic Power so they cannot prevent being disrupted. This indicator is one measure of Schumpeterian Creative Destruction par excellence in an economy. A counter argument takes issue with the broad definition of entrepreneurship as it includes the lost resort variety, which often is an indication not of Creative Destruction but of an underdeveloped economy. *An optimal level might be established in the future.</td>
<td>Creation</td>
</tr>
<tr>
<td>VCK</td>
<td>VC finance</td>
<td>This indicator measures the venture capital (VC) investment in high-growth venture companies divided by the total investment (I) in an economy.</td>
<td>Main sources: OECD, Stat &amp; Preqin</td>
<td>VC finance funds entrepreneurship and disruptive Value Creation business models that foster Creative Destruction and the renewal of elites. This indicator is one measure of Schumpeterian Creative Destruction par excellence in an economy. There is a counter argument that sees VC finance as being agnostic in terms of Value Creation/Extraction - that it will fund business models as long as they generate wealth. *An optimal level might be established in the future.</td>
<td>Creation</td>
</tr>
<tr>
<td>RND</td>
<td>R&amp;D % GDP</td>
<td>This indicator measures the investments in research and development (R&amp;D) divided by a country's GDP. R&amp;D expenditures includes both capital and current expenditures in the four main sectors: Business enterprises, Government, Higher education and Private non-profit (WB, Website).</td>
<td>UNESCO Institute for Statistics</td>
<td>R&amp;D as % of GDP is a key indicator of government and private sector efforts to obtain competitive advantage in science and technology. The higher the investment in R&amp;D the more likely innovative products and services will replace and creatively destroy old ones, and with them incumbent organizational structures. *An optimal level might be established in the future.</td>
<td>Creation</td>
</tr>
<tr>
<td>BTS</td>
<td>Barriers to start-ups</td>
<td>This indicator is derived from the average (equal weighting) of 2 subsets of the OECD Product Market Regulations (PMR) Database: Barriers to entrepreneurship (BTE) and Administrative burdens on start-ups (ABS).</td>
<td>OECD, Product Economic Regulation Statistics</td>
<td>Regulatory barriers to entry (e.g. licensing) may be based on legitimate rationale (e.g. consumer protection), yet incumbents in many markets will lobby to make barriers to start-ups more cumbersome and expensive than needed. This reflects the use of existing organization's Economic Power into extractive rules that pre-empt Creative Destruction and the creation of new value by limiting entry and the erosion of obstacles to entrepreneurship.</td>
<td>Extraction</td>
</tr>
<tr>
<td>ENR</td>
<td>Firm entry ratio</td>
<td>Firm entry ratio is defined as the number of new companies per 1,000 working-age people (15-64).</td>
<td>The World Bank, Doing Business Indicators</td>
<td>A high Firm entry ratio indicates an economy open to aggregate productivity shocks seized by innovative new firm entrants at the expense of incumbents. The replacement processes are a mark of Creative Destruction as it weakens existing elites and is an important factor for total productivity growth. *A high entry ratio means the economy is less productive and more innovative.</td>
<td>Creation</td>
</tr>
<tr>
<td>EXR</td>
<td>Firm exit ratio</td>
<td>Firm exit ratio measures the death rate of companies, i.e. the &quot;number of enterprise deaths in the reference period (I) divided by the number of enterprises active in I&quot; (OECD, Website).</td>
<td>OECD, SDBS Business Demography Indicators</td>
<td>A high Firm exit ratio releases resources, which are potentially used by new entrants more effectively than by organizations that have been discontinued. Moreover, firm exits are a stimulus for firm entries. A counter argument states that firm exits do not relate to firm entry as much as they reflect dominant players achieving greater Economic Power (similar to M&amp;A), a process which might be accelerated by economic downturns with certain Value Creation firms having comparatively less access to rescue packages (e.g. on account of smaller size), as might be case for the Covid-19 crisis. *An optimal level might be established in the future.</td>
<td>Creation</td>
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<tr>
<td>Pillar (ii.7): Giving Income</td>
<td>Sub-Index II: Value, Index Area (i): Political Value</td>
<td>Dataset source</td>
<td>B. Indicator Rationale - Why we measure</td>
<td>Value Creation/Extraction</td>
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<tr>
<td>SNT Subsidies and transfers as % of expenses</td>
<td>Subsidies and transfers encompass &quot;subsidies, grants, and other social benefits to private and public enterprises; grants to foreign governments and similar; social security and benefits in cash and in kind&quot;. Expenses are understood as &quot;cash payments for operating activities of the government in providing goods and services&quot; (WB, Website).</td>
<td>International Monetary Fund, Government Finance Statistics Yearbook (retrieved from the World Bank)</td>
<td>Subsidies and other forms of government mandated redistribution represent direct wealth transfers, giving Income. Subsidies and transfers as % of expenses measure Political Value (Value obtained or taken away by political means) and the allocation of resources, away from value creators, to lower economic (even if legitimate) value uses, potentially starving off Value Creation processes from resources. A counter argument sees transfers and subsidies not only in humanitarian terms, but as an investment by government in future Value Creation by agents who do not have access to resources via market processes. An optimal level might be established in the future.</td>
<td>Extraction</td>
<td></td>
</tr>
<tr>
<td>REG Regional redistribution as % of government budget</td>
<td>Regional redistribution measures government wealth transfers between a country's geographical areas.</td>
<td>Fraser Institute</td>
<td>Regional redistribution as % of government budget represents Giving Income liable to rent seeking through the political process, as states redistribute income across geographical elites and to non-elites. Political Value is shifted from high Value Creation regions and elites to less efficient ones, thereby compromising overall allocative efficiency. A counter argument sees regional distribution not only in humanitarian terms, but as an investment by government in future Value Creation by elites in geographies who do not have access to resources via market processes. *An optimal level might be established in the future.</td>
<td>Extraction</td>
<td></td>
</tr>
<tr>
<td>EDU School life expectancy</td>
<td>School life expectancy reflects the &quot;total number of years of schooling (primary through tertiary) that a child of school entrance age can expect to receive&quot; (UNESCO, Website).</td>
<td>UNESCO Institute for Statistics (UIS, Stats)</td>
<td>The higher and more effective a government education program is in the framework of Giving Income, the more competitive the labor markets and the more opportunities to develop Value Creation business models on the basis of human capital. This maximizes future Value Creation while future rent seeking behaviors ought to decrease because a higher educated public has a greater understanding of Value Extraction models.</td>
<td>Creation</td>
<td></td>
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<tr>
<td>GPS Expenditure on general public services as % of GDP (dev. fm optimum)</td>
<td>This Indicator considers the general public services subset of the Classification of the functions of Government (COFOG) and reflects the government's expenditure on general public services divided by the respective country's GDP. It encompasses public expenses for the legislative and executive organs, financial, fiscal and external affairs, public debt transactions, transfers between different levels of government, foreign economic aid, etc. Excluded are expenses for defense and public order, economic affairs, environmental protection, health, culture, education and social protection.</td>
<td>Eurostat, Classification of the functions of government (COFOG) Database</td>
<td>The government must provide certain public services crucial for its citizens. If, however, it covers too extensive a range of services, these might be offered inefficiently, opportunities for rent seeking will appear and the private sector will suffer from competition, encumbering the economy's growth. Political Value decreases if Expenditure on general public services as % of GDP goes beyond (or stays below) a certain threshold. *An optimum is suggested as 1.3% - the level of Singapore - and results in a v-shaped function for this indicator.</td>
<td>Non-Linear</td>
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<tr>
<td>GHS Global Health Security</td>
<td>The Global Health Security Index provides a comprehensive assessment of the global health security and related capabilities in a country, with a focus on the preparedness to address &quot;infectious disease outbreaks that can lead to international epidemics and pandemics&quot; (GHS Website).</td>
<td>GHS Index by the NTI, JHU and EIU</td>
<td>Global Health Security indicates Political Value created as part of Giving Income. Health security directly enables the operation of Value Creation business models in the economy by protecting human capital and ability to generate value of elites and non-elites alike.</td>
<td>Creation</td>
<td></td>
</tr>
<tr>
<td>COV Covid-19 safety</td>
<td>The COVID-19 Safety Index &quot;assesses countries based on 76 parameters to determine the countries by health safety ratio, treatment efficiency and risk level during the COVID-19 pandemic. Some of the parameters included are COVID19 cases and deaths, geographic size and demographics, hospital capacity, medical expertise, and GovTech e-government systems and defense capabilities&quot; (DG, Website).</td>
<td>Deep Knowledge Group</td>
<td>Covid-19 safety indicates Political Value created as part of Giving Income. Covid-19 safety directly enables the operation of Value Creation business models in the economy by protecting human capital and ability to generate value of elites and non-elites alike.</td>
<td>Creation</td>
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<tr>
<td>Pillar (iii.8): Taking Income</td>
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<tr>
<td>DCT Corporate tax rate (dev. fm optimum)</td>
<td>The Corporate tax rate reflects &quot;the highest statutory corporate tax rate at central government level&quot; (KPMG, Website).</td>
<td>KPMG</td>
<td>A deeply studied and debated issue in society, and for EQx's Taking Income Pillar, is the appropriate Corporate tax rate. Corporate tax rates that are too low can foster a variety of rent seeking behaviors, including companies free-riding on public goods (roads etc.) paid for by other sources of government revenue (like income tax). Corporate tax rates that are too high discourage productive investments. Deviation from an optimal tax rate on both sides sees the emergence of Value Extraction processes that hinder Value Creation maximization. *A tentative optimum (pending further research) is suggested at 30%, resulting in a non-linear function problem.</td>
<td>Non-Linear</td>
<td></td>
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<tr>
<td>TLA</td>
<td>Indicator Name</td>
<td>A. Indicator Description - What we measure</td>
<td>Dataset source</td>
<td>B. Indicator Rationale - Why we measure</td>
<td>Value Creation/Extraction</td>
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<tr>
<td>DIK</td>
<td>Delta capital gains tax vs income tax</td>
<td>This indicator measures the difference in taxation on financial and human capital (labor), by taking the delta between the individual capital gains tax rate and the individual income tax rate.</td>
<td>PWC [Capital Gain Tax] &amp; KPMG [Personal Income Tax]</td>
<td>Value Extraction (and free riding) takes place when financial and human capital are taxed differently, in terms of Taking Income. In Delta capital gains tax vs income tax, when capital gains tax is higher than income tax than investors are comparatively penalized, and their Value Creation incentives are discouraged. In the opposite case, when income tax is higher than capital gains tax, then investments in human capital are comparatively penalized and related Value Creation is discouraged. A tentative optimum (pending further research), sees both forms of investment, human and financial, equalized, resulting in a non-linear function problem.</td>
<td>Non Linear</td>
</tr>
<tr>
<td>HOM</td>
<td>Homicide rate</td>
<td>A country's Homicide rate measures the number of homicides per 100,000 people per year.</td>
<td>United Nations Office on Drugs and Crime (UNODC)</td>
<td>Homicide rate is a proxy for internal peace (and has as counterpart Indicator that measure external peace). The lack of internal peace compromises the ability of the political economy's agents to develop Value Creation business models. Furthermore, absence of domestic security is a failure to deliver inclusive Political Value. Crime falling disproportionately on non-elites is a tax on citizens, hence this Indicator is part of the Taking Income Pillar. Lastly, homicide is an ultimate form of Value Extraction as a measurable economic loss accrues in a context of moral suffering.</td>
<td>Extraction</td>
</tr>
<tr>
<td>INE</td>
<td>Top 10% share of pre-tax national income</td>
<td>This indicator measures the share of pre-tax national income accruing to the 90-10 percentile of adult individuals (over 20 years old). Pre-tax national income is the sum of the pre-tax labor income and the pre-tax capital income.</td>
<td>World Inequality Lab, World Inequality Database (WID)</td>
<td>Top 10% share of pre-tax national income is a measure of inequality. Excessive or structural inequality might reflect rigged rules of the game that act as a disincentive to investment in Value Creation activities including investment in new business, or human capital. Excessive equality creates a different set of problems such as free riding which also disincentivizes Value Creation. Further research will determine other measures of inequality reflecting Value Extraction so as to enrich and increase the precision of the Taking Income pillar. The measures of inequality might require an optimum and further research might be needed to reflect both arguments in a balanced fashion.</td>
<td>Extraction</td>
</tr>
<tr>
<td>FDE</td>
<td>Fiscal decentralization</td>
<td>The degree of Fiscal decentralization is measured by averaging the 36 Indicators of the IMF's Fiscal Decentralization dataset, which assesses &quot;the degree to which revenue and expenditure functions of the general government are carried out by subnational governments&quot; (IMF, Website).</td>
<td>International Monetary Fund (IMF)</td>
<td>Fiscal decentralization means taking income from where value is generated, forestalling value transfer arrangements across regions from centralized systems. The more traceable the Taking Income processes and the greater the proximity to citizens, the stronger the social impediments to Value Extraction. High fiscal decentralization leads to heterogeneity of measures or policies implemented by local governments which could lead to both competitive Value Creation or to excessive competition and a race to the bottom rent seeking game. We take the former position.</td>
<td>Creation</td>
</tr>
<tr>
<td>DTR</td>
<td>Tax revenue as % of GDP (dev. fm optimum)</td>
<td>Tax revenues are &quot;compulsory transfers to the central government for public purposes. Certain compulsory transfers such as fines, penalties, and most social security contributions are excluded&quot; (WB, Website). Tax revenue are divided by the respective country’s GDP.</td>
<td>International Monetary Fund, Government Finance Statistics Yearbook &amp; World Bank and OECD GDP estimates (retrieved from the World Bank)</td>
<td>A deeply studied and debated issue in society, and for EGO’s Taking Income Pillar, is the appropriate Tax revenue as % of GDP. Tax revenue that is too high can foster a variety of rent seeking behaviors for the beneficiaries of these unearned income flows while penalizing tax paying value creators. Tax revenue that is too low in relation to national income will see the government unable to perform their duties, such as education, health or security. A tentative optimum (pending further research) is suggested at 12%, resulting in a v-shaped function for this Indicator.</td>
<td>Non Linear</td>
</tr>
<tr>
<td>BRD</td>
<td>Battle-related deaths per 100,000 people</td>
<td>Battle-related deaths are &quot;deaths in battle-related conflicts between warring parties in the conflict dyad (two conflict units that are parties to a conflict). All deaths-military as well as civilian-incurred in such situations, are counted as battle-related deaths&quot; (WB, Website). The measure is adjusted to a country’s population.</td>
<td>Uppsala Conflict Data Program (retrieved from the World Bank)</td>
<td>Battle-related deaths is a proxy for external peace (and has as counterpart Indicator that measures that assesses the degree to which the political economy’s agents to develop Value Creation business models. The absence of external security as Political Value means a tax on citizens, hence this Indicator is part of the Taking Income Pillar. War has also served as a rent seeking mechanism for various groups of elites throughout history. Lastly, battle-related deaths, like homicides and any unearned loss of human life, is Value Extraction where a measurable economic loss accrues in a context of moral suffering.</td>
<td>Extraction</td>
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</tbody>
</table>

Pillar (iii): Unearned Income

**DUT** Dutch disease prosperity

This Indicator measures the rents derived from natural resources divided by a country's GDP. These rents - which are computed as "the difference between the price of a commodity and the average cost of producing it" - are calculated as the "sum of oil rents, natural gas rents, cool rents (hard and soft), mineral rents, and forest rents" (WB, Website).

The World Bank | Dutch disease prosperity sees one export-intensive sector based on partially earned or Unearned income - i.e. natural resources - distorting the economy (e.g. via higher exchange rates hurting the exports of other industries). Since rights for natural resources are granted by the political process and the Dutch disease causes Value Extraction in the economy by the natural resource exporting elites, hurting alternative Value Creation activity, it is considered to be of negative Political Value. | Extraction |
<table>
<thead>
<tr>
<th>TLA</th>
<th>Indicator Name</th>
<th>A. Indicator Description - What we measure</th>
<th>Dataset source</th>
<th>B. Indicator Rationale - Why we measure</th>
<th>Value Creation/Extraction</th>
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<tr>
<td>SOE</td>
<td>State ownership, control and involvement in business</td>
<td>This indicator is derived from the average (equal weighting) of 6 sub-sets of the OECD Product Market Regulations (PMR) Database which reflect the state involvement and control in the business sphere: State control (STC), Public ownership (POW), involvement in business operations (IBO), Scope of state-owned enterprises (SCOPE), Direct control over enterprises (DCBO) and Government involvement in network sectors (GNN).</td>
<td>OECD, Product Market Regulations Statistics</td>
<td>State ownership, control and involvement in business is an indicator of immense resources in hands that did not directly participate in the underlying Value Creation other than through political and institutional intervention. SOEs and companies closely tied to the political sphere obtain rights, investments and other state resources that generate income streams and can create opportunities for Value Extraction. The states also crowd out potentially more efficient private sector value creating companies. As a counter argument, Value Creation might be better served if industries with high profitability (natural resources), national monopolies or requiring large investments (infrastructure or technological development) are state owned.</td>
<td>Extraction</td>
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<tr>
<td>EPI</td>
<td>Environmental Performance Index</td>
<td>The EPI ranks countries on 24 performance indicators across ten issue categories covering environmental health and ecosystem vitality. These metrics provide a gauge on a national scale of how close countries are to meeting established environmental policy goals (EPI, Website).</td>
<td>Yale Center for Environmental Law &amp; Policy</td>
<td>The Environmental Performance Index measures the depletion and spoiling of natural resources such as forests, fisheries, fresh air, biodiversity and water quality. Such activities are in fact an intergenerational wealth transfer and a failure to deliver Political Value. Through these Value Extraction processes, older generations and intractable elites benefit from Unearned Income business models based on exploiting the environment. Future Value Creation is impeded too by forestalling the ability of younger generations to make use of these fundamental resources.</td>
<td>Creation</td>
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<tr>
<td>DBT</td>
<td>Government Debt as % of GDP</td>
<td>Debt is the entire stack of direct government fixed-term contractual obligations to others outstanding on a particular date (measured on the last day of fiscal year). (GE, Website). The level of debt is then divided by the respective country’s GDP.</td>
<td>The Global Economy</td>
<td>Government debt as % of GDP measures a future extractive burden on taxpayers. Debt is Unearned Income for the state that will have to be redeemed by future generations of taxpayers (or via indirect means like inflation) which often have no voice when this obligation is undertaken. Debt means that government spending is encouraged to be higher than it would otherwise be with consequent rent seeking opportunities, and the extra state income is not always used to support Value Creation activities but rather transfer and redistributive activities. Counter arguments against austerity are solid and numerous in the policy and academic domains as debt might be appropriate in emergency situations such as wars or economic crises helping to smooth out cycles, social suffering and providing Keynesian stimuli to kick start the economy.</td>
<td>Extraction</td>
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Sub-Index II: Value, Index Area (iv): Economic Value

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<td>TRF</td>
<td>Trade Freedom</td>
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<td>BTE</td>
<td>Barriers to entry</td>
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<tr>
<td>FDI</td>
<td>FDI net inflows as % of GDP</td>
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<td>TLA</td>
<td>Indicator Name</td>
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<tr>
<td>BTF</td>
<td>Barriers to FDI</td>
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<tr>
<td>EGO</td>
<td>Economic globalization</td>
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<tr>
<td>DHC</td>
<td>Health Care as % of GDP (dev. fm optimum)</td>
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<tr>
<td>OFB</td>
<td>Open for Business</td>
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<tr>
<td>PIL</td>
<td>(PIL12): Capital Rent</td>
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<tr>
<td>DNI</td>
<td>Neutral interest rate (dev. fm optimum)</td>
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<td>DOI</td>
<td>Inflation (dev. fm optimum)</td>
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<td>CUA</td>
<td>Currency appreciation</td>
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<td>GOL</td>
<td>Gold demand as % of GDP</td>
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<td>TLA</td>
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<tr>
<td>DMA</td>
<td>M&amp;A as % of Investment</td>
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<td>Pillar (p.12): Labor Rent</td>
<td>Unemployment rate</td>
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<tr>
<td>LFP</td>
<td>Labor force participation rate</td>
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<tr>
<td>WLP</td>
<td>Delta real wage vs labor productivity increases</td>
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<tr>
<td>LDR</td>
<td>Labor dependency ratio</td>
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<tr>
<td>YUN</td>
<td>Youth unemployment rate</td>
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<td>GWG</td>
<td>Gender wage gap</td>
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