



## **DECISIONS THAT BUILD PROSPERITY AND RESPECT FREEDOM AND RESPONSIBILITY CRUCIAL TO LEAD WORLD THROUGH COVID**

The Legatum Institute, in its 2020 Prosperity Index report, is urging leaders around the world to hold firm to a holistic view of prosperity and the core principles of freedom and responsibility as they respond to the ongoing Covid-19 pandemic.

The report notes that China was the first country to be impacted by Covid-19, and its response framed the context for how the rest of the world responded. The approach it took was to withhold information about the virus, restrict people's freedoms, and lock down the country's economic engine, and subsequently many other countries responded to the pandemic by severely curtailing civil rights and economic freedoms. The report highlights that these actions are consistent with China's ranking of 90<sup>th</sup> for governance and 159<sup>th</sup> for personal freedom, but they are actions that weaken, rather than build, prosperity.

Instead, the Institute highlights that prosperity is built when:

- Governments make decisions in such a way that engenders trust and with integrity, respecting the freedom of their citizens; prosperous nations are ones where governments govern with the agreement of the people, and where citizens take responsibility.
- Economic decisions are taken responsibly to sustain an enabling environment for productive employment, sustained economic growth and personal development.
- The principles of personal responsibility and freedom go hand in hand; citizens are free and order their lives taking responsibility for their own families and communities.
- People take care of their own physical health and mental wellbeing and healthcare is accessible to all; they do not make decisions that threaten the health of others.

The Index reveals that, prior to the pandemic, global prosperity stood at a record high, with 147 out of 167 countries seeing prosperity rise over the last decade, driven by improved health, education, and living conditions, and more open economies. However, the improvement seen in the last 12 months had not kept pace with the progress of the previous two years, as Asia-Pacific and Western Europe stalled and North America deteriorated slightly. In addition, stagnating personal freedom and governance around the world is holding back further improvement in prosperity.

Philippa Stroud, CEO of the Legatum Institute, commented: "The coronavirus pandemic is highlighting the holistic nature of true prosperity and testing all nations' institutional, economic, and social resilience. The virus, and national efforts to contain it, is impacting not just our health, but also our jobs, our children's educations, and our relationships with each other and with the state.

"As each nation navigates its way through and out of the pandemic, good governance and the full involvement of a society where personal freedoms are protected will be crucial. Wherever we are in the world, this is a moment that will challenge our principles and reveal what we really believe. It is a moment for each nation to decide its character and who it wants to be. The decisions made now will create the foundation for our nations going forward and determine the legacy we will leave for future generations.

"There are significant challenges ahead, but the good news is that the Index shows that global prosperity was at its highest ever level when Covid-19 struck. There is never a good time for a worldwide health crisis, but if there has to be one, the progress that has been made over the last decade provides emerging nations with a better context in which to tackle it.

“However, there are also warnings in the Index, especially for more developed nations. The Western world must beware the trap of falling into a mindset of an overdeveloped society, vulnerable to entitlement and complacency. If we lose sight of our values and heritage, if we sacrifice innovation, purpose, and meaning out of a desire to avoid change and risk, we will create a window through which the hard-won prosperity of our forebears will evaporate.

“This is a dark moment of global emergency, but we must not focus solely on the immediate crisis or we will limit future prosperity. Never has it been more important for leaders to recognise the holistic nature of prosperity and make strategic choices to further build inclusive societies and more open economies, and to improve the lived experience of all citizens.”

### ***Backdrop to 2020: Global prosperity was at its highest level ever, but progress was stalling***

The 2020 Legatum Prosperity Index™ reveals that, prior to the coronavirus pandemic, global prosperity had risen continuously over the previous decade, driven by improved health, education, and living conditions, and more open economies around the world.

Health improved across the globe since 2010, with all but 12 countries seeing an improvement. Expansions in immunisation programmes for diphtheria, measles, and hepatitis had resulted in a greater percentage of the population being inoculated against these life-threatening diseases. This, together with antenatal care now covering over 90% of women around the world, had led to an improvement in preventative interventions.

All regions had seen an improvement in education in the last 10 years, with people starting education earlier and continuing later in life. Tertiary education, in particular, saw a big improvement in enrolment rates, from 31% in 2010 to 42% in 2020. The improvements across the global education system meant that the adult population was more skilled than a decade ago.

Living conditions had also improved in all but 15 countries over the last decade, with four of the five most improved countries located in Asia-Pacific. This had been driven in particular by reductions in poverty, greater access to water and sanitation services, and increased digital connectedness.

Economies around the world had become more open due to improvements to digital and transport infrastructure. Mobile network coverage had expanded, with nearly 90% of the global population having access to 2G, 3G or 4G networks and over 50% of the global population using the internet. In addition, many of the financial protections that are necessary to provide investors with confidence – property rights, investor protections, contract enforcement – had strengthened around the world.

However, the Index highlights that the rate of improvement in global prosperity had slowed in the last 12 months. While 86% of the global population lived in countries that experienced an increase in their prosperity between 2017 and 2018, and 81% lived in countries that saw increased prosperity between 2018 and 2019, only 61% of people lived in countries that saw an improvement between 2019 and 2020. This was particularly driven by stagnation in Asia-Pacific, as safety and security, personal freedom, economic quality, and education had all deteriorated over the last year, and the rate of improvement in enterprise conditions and market access and infrastructure had slowed.

In addition, prosperity had deteriorated in North America and Western Europe over the last 12 months, with these historically successful regions starting to see a potential turning point in the quality of their investment environment and enterprise conditions. There had also been a deterioration in education across North America over the past year.

The Index also shows that further growth in global prosperity is being held back by stagnating personal freedom and governance. Globally 121 countries had seen a decline in the freedom to speak and access information and 116 had seen a reduction in the freedom to assemble and associate over the past 10 years, and political accountability and executive constraints – which measures the checks and balances on elected governments and their officials – had both weakened.

Dr Stephen Brien, Director of Policy at the Legatum Institute, commented: “The Covid-19 pandemic has placed enormous constraints on prosperity at a time when we had been seeing a general trend of improvements across health, education, and living conditions, and more open economies. The emergence of the coronavirus has put all these areas under considerable strain, and the historic improvements are now at risk. In addition, recent deteriorations in prosperity, particularly in developed regions, highlight that progress cannot be taken for granted and we must not become complacent. We must take care to ensure that these hard fought for gains are protected.

“Although the world has changed, how prosperity is generated and perpetuated within a nation is unchanged. While many nations continue to grapple with the social, economic and health impacts of Covid-19, choices need to be made that are likely to have longer-term consequences.

“Innovation and dynamism will be critical to forging strong economies following the disruption of the pandemic. Further strengthening investor protections, removing vested interests, and opening up to international financial markets will enable businesses to start, grow, and flourish, creating sustained economic growth. Education must also be prioritised, so that people can reach their full potential and meet the labour market demands of the future. Healthcare systems must protect immunisation programmes and support people as they take care of their physical and mental health needs, and everybody should be mindful of the potential impact on others as they exercise their freedoms.

“The Index highlights that prosperity is underpinned by an inclusive society, with a strong social contract that protects the fundamental liberties and security of every individual. It is driven by an open economy that harnesses ideas and talent to create sustainable pathways out of poverty. And it is built by empowered people, who play their part in creating a society that promotes wellbeing. We hope it will guide leaders around the world as they make choices that will determine the future social wellbeing and economic prospects of a generation.”

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### ***About the Legatum Prosperity Index™***

The Index, now in its 14<sup>th</sup> year, measures prosperity in 167 countries representing over 99% of the world’s population, and how it has changed in the last decade. It comprises three domains – Inclusive Societies, Open Economies, and Empowered People – underpinned by 12 pillars, consisting of 66 different policy-focused elements. A rich dataset of nearly 300 individual country-level indicators, drawn from a wide range of international sources, provides the detailed measurement of national performance.

**2020 ranking highlights**

Top 10 countries for overall prosperity		Bottom 10 countries for overall prosperity	
1	Denmark	158	Syria
2	Norway	159	Sudan
3	Switzerland	160	Eritrea
4	Sweden	161	Democratic Republic of Congo
5	Finland	162	Afghanistan
6	Netherlands	163	Somalia
7	New Zealand	164	Chad
8	Germany	165	Yemen
9	Luxembourg	166	Central African Republic
10	Austria	167	South Sudan

*The Legatum Institute is a London-based think-tank with a bold vision to create a global movement of people committed to creating the pathways from poverty to prosperity and the transformation of society.*

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