

Prosperity in the United Kingdom 2020



INTRODUCTION

We are launching the 2020 Legatum Prosperity Index™ at an extraordinary moment in time for the UK. The ongoing COVID-19 pandemic, 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 the state. As we go through this crisis, while also approaching the end of the Brexit transition period, it is a moment to decide the character of the nation we want to be. The decisions we make now will create the foundation for the country going forward. We need to decide carefully.

China was the first country to be impacted by COVID-19, and its response framed the context for the rest of the world. Its approach was one that moved to withhold information about the virus, restrict the freedoms of its people, and lock down its economic engine. Subsequently, many other countries responded by severely curtailing civil rights and economic freedoms. Such actions are consistent with China's ranking of 90th in the Index for governance and 159th for personal freedom but they are not the actions that build prosperity, they are ones that weaken it.

As a democratic nation built on the principles of good governance and personal freedom, the UK should be finding ways through this crisis that speak to the power and strength of who we are and the values of our democracy. In order to emerge out of the crisis not just intact but able to become even more prosperous in the future, we must focus on the core principles that build and protect prosperity in challenging times.

We know that prosperity is built when:

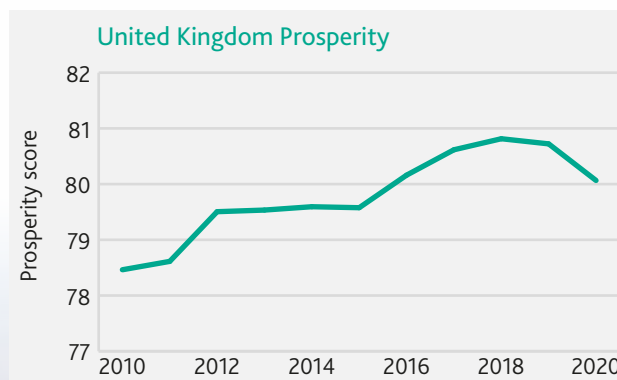
- The principles of personal responsibility and freedom go hand in hand; citizens are free and order their lives taking responsibility for their own families and communities.
- Governments make decisions in such a way that engenders trust and with integrity, respecting the freedom of their citizens; 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.
- 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.

PROSPERITY IN THE UK

The good news is that the UK is in a strong position to emerge more prosperous from this time of change, and the Institute will be exploring these pathways to prosperity through the work of its new Centre for UK Prosperity. In the global Prosperity Index, the UK ranked as the 13th most prosperous country in the world before the pandemic struck, and was in the top 20 countries for all pillars except Safety and Security, Health, and Natural Environment. On average, the British public enjoyed among the best living conditions globally, with access to quality healthcare and world-leading higher education institutions, and our economy was one of the most dynamic and enterprising in the world.

However, the UK has seen its prosperity deteriorate over the last few years, showing we must not take it for granted. We 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.



Credit: shutterstock.com



The pandemic is testing the UK's institutional, economic, and social resilience. One of the most deeply felt effects has been the change in how we interact with others – family, friends, neighbours, colleagues, and strangers. Over the last 10 years personal and family relationships have deteriorated and the strength of wider social networks has increased less than in other countries. This is concerning given the importance of stable families and supportive communities in shaping culture and building the bonds of trust needed for society to flourish.

In addition, while the overall level of institutional trust in the UK has improved since 2010, public confidence in national government has been deteriorating and is now among the lowest levels seen across the world. This reflects a decline in government effectiveness – of the 20 countries currently ranked highest for this, the UK has deteriorated most since 2017. This is deeply concerning, as good governance and decisive and effective leadership will be crucial to guide the UK through the pandemic and create a more prosperous society in the future.

The decline in government effectiveness is also having a worrying impact on the UK's economy. This is exemplified by Moody's recent downgrading of the country's credit rating, which specifically cited the weakening in legislative and executive institutions and governance observed in recent years.¹

Fortunately, the UK has strong economic fundamentals. It is the second most dynamic economy in the world, with a high rate of new businesses starting up that find it comparatively easy to attract investment and talented staff. Prior to the pandemic, unemployment was low and labour productivity was high and increasing. However, the current COVID-19 management strategy is constraining our capacity for further growth. Our future prosperity relies on economic decisions that foster employment, productivity, innovation, and dynamism.

Of course, the pandemic has also had a direct effect on health across the UK. While the country's care systems are strong, since 2010 there has been a slight deterioration in the availability of health facilities, including a reduction in the number of hospital beds per person, and the public is becoming less satisfied with the availability of quality healthcare. In addition, the UK ranked just 80th in the world for mental health at the start of the year, and many people are likely to have suffered as they have been isolated due to lockdown measures. To build prosperity for the future, it is vital that people are trusted to take care of their own health and support those who cannot take care of themselves, with access to an effective healthcare system to help them when they need it.

CONCLUSION

The UK is still one of the most prosperous countries in the world and this moment of change provides opportunities as well as challenges, but we cannot afford to be complacent. Ongoing effort is required across the whole of society to create an environment in which everyone can thrive. The Institute's Centre for UK Prosperity, launching in January 2021, will be contributing directly to this.

We must choose to continue building an inclusive society, with a strong social contract that protects the fundamental liberties and security of every individual. We must choose to continue developing an open economy, that harnesses ideas and talent to create sustainable pathways out of poverty. And we must choose to continue creating an enabling environment, so the contributions of each person can increase the quality of life and standard of living for everyone. Only then will the UK be a truly prosperous nation.

As we go through this moment of crisis, it has never been more important for us to make choices based on the principles that protect and build prosperity. This is the time to lay the foundations for the nation we want to be, and the nation we will leave as a legacy for future generations. We must choose well.

1 https://www.moody.com/research/Moodys-downgrades-the-UKs-ratings--Aa3-outlook-stable--PR_434172

UK PILLAR HIGHLIGHTS

Inclusive Societies (15th)

- **Safety and Security (21st):** The UK has very low levels of politically related terror and violence, ranking joint 1st globally, as well as low rates of property and violent crime. However, the number of terrorism incidents in the country has increased since 2010.
- **Personal Freedom (19th):** The UK performs relatively well across all elements of this pillar, although freedom of speech and access to information has declined over the last decade, and the degree of social tolerance has been deteriorating in recent years.
- **Governance (13th):** Governance is relatively strong in the UK, but political accountability, government effectiveness, and the rule of law have all deteriorated over the second half of the last decade.
- **Social Capital (12th):** The UK has particularly strong civic and social participation, ranking 5th in the world, and high levels of interpersonal trust. However, personal and family relationships have become weaker over the last decade and, while institutional trust has improved overall, confidence in national government is declining.

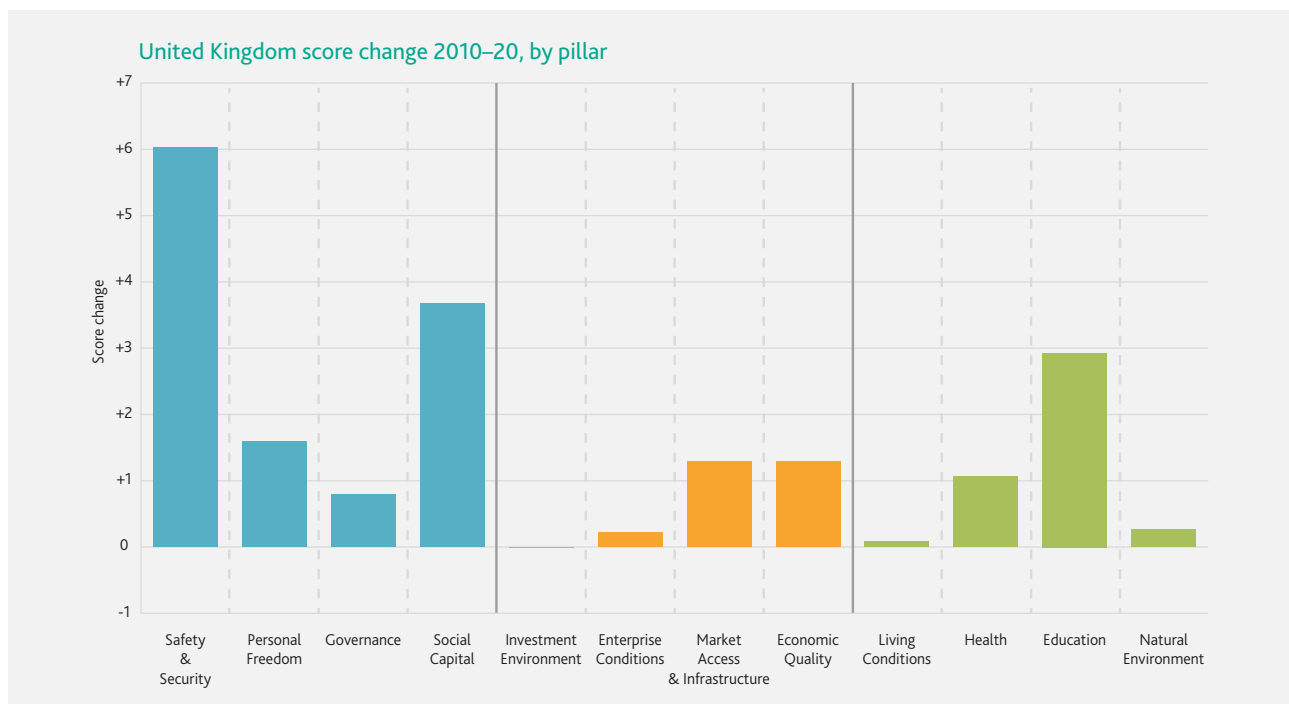
Open Economies (10th)

- **Investment Environment (7th):** This is one of the UK's greatest strengths. Property rights are well-protected, there are few restrictions on international investment, and the financing ecosystem has been improving consistently since 2011.
- **Enterprise Conditions (12th):** The UK has among the strongest enterprise conditions in the world. Regulations are not very burdensome, and the labour market is flexible – though there are signs that it is becoming less so. However, while the country ranks 7th for its environment for business creation, this has deteriorated slightly over the last few years.

- **Market Access and Infrastructure (7th):** Telecommunications infrastructure in the UK has been improving since 2010 and is among the best in the world, with near-complete mobile network coverage and high rates of internet penetration. Transport networks are also strong, with high-quality road and airport infrastructure.
- **Economic Quality (16th):** The UK has a dynamic economy, with the capacity to attract talented people from across the world. Prior to COVID-19, unemployment rates had been dropping consistently since 2010, while labour productivity had been increasing.

Empowered People (18th)

- **Living Conditions (10th):** Living conditions in the UK are among the best in the world. However, an increasing number of people are struggling to find affordable accommodation for themselves and their families.
- **Health (25th):** Prior to the coronavirus pandemic, the physical health of UK citizens had improved over the last decade, and mortality rates had decreased at every stage of life. However, there had been a deterioration in the country's care systems and mental health was declining, as was the public's satisfaction with healthcare provision.
- **Education (17th):** The UK is home to one of the best education systems in the world. The country ranks 5th for primary education, and has seen the quality of secondary and tertiary education and vocational training improve over the last decade.
- **Natural Environment (25th):** Greenhouse gas emissions in the UK are relatively low given the large population and high GDP, and the growth rates of these emissions are also among the lowest in the world. Additionally, environmental preservation efforts — including the protection of biodiverse areas — have been improving over the last decade.





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