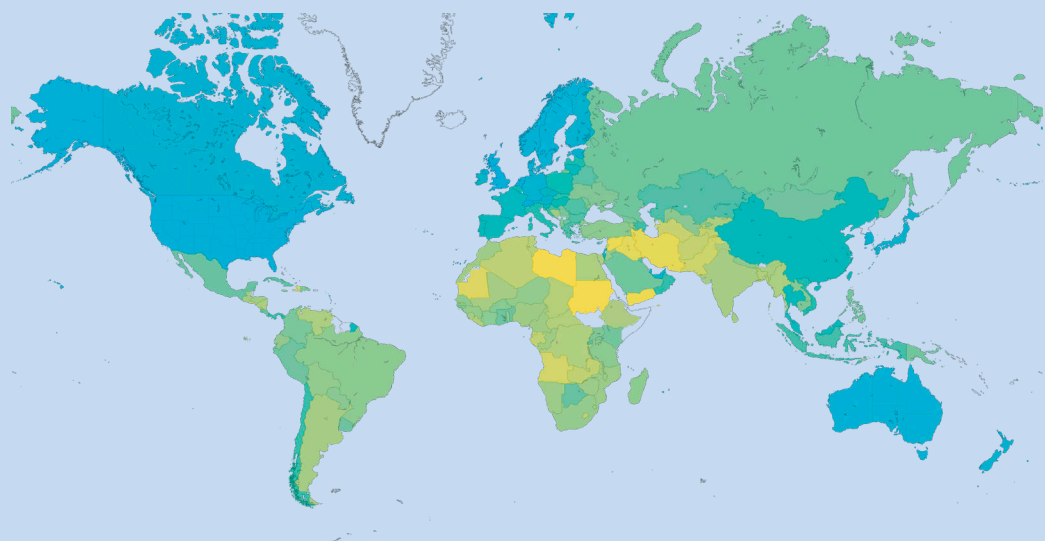


This PDF includes a contribution from the following book:

ELITE QUALITY REPORT 2021

The United Kingdom: On the elite quality podium,
while navigating choppy waters in search of a new
place in the world

Prof. Maik T. Schneider, University of Bath, UK



Cite as:

Schneider, M.T. (2021). The United Kingdom: On the elite quality podium, while navigating choppy waters in search of a new place in the world. In T. Casas i Klett & G. Cozzi. (Eds.), Elite Quality Report 2021: Country Scores and Global Rankings. Zurich: Seismo. doi: 10.33058/seismo.30803

Published by Seismo Press AG, Zurich and Geneva in partnership with the Foundation for Value Creation.

©2021 the Foundation for Value Creation, St.Gallen, Switzerland, distributed under the terms and conditions of the Creative Commons license CC BY-NC-ND (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

The United Kingdom: On the Elite Quality podium, while navigating choppy waters in search of a new place in the world

When the shock Brexit referendum result became reality in the early morning hours of June 24th 2016, the UK entered a phase of uncertainty and political turmoil that consumed two Prime Ministers and triggered the resignations of dozens of seasoned politicians and expert civil servants (White, 2019). After two snap general elections, in December 2019, Boris Johnson became the new Prime Minister, humiliating a fractured and feeble opposition. As the leader of an exhausted and politically divided country searching for its new place in the world is he now going to pursue 'Global Britain' or 'Singapore on Thames'? Or are these just hollow buzzwords with no real meaning?

In Spring 2020, the COVID-19 pandemic hit the country hard, exposing a deficient health sector suffering from long years of austerity in the wake of the 2008-2009 financial crisis. In the EQx this is reflected by the sad and disheartening ranking 120 in *COVID-19 mortality, age adjusted* (COM, iii.7, rank # 120), accompanied by the weak performance in the *COVID-19 growth differential* Indicator (CGD, iii.7, rank # 138).

94

Given the above, the overall third place obtained by the UK in the EQx2021 might come as a surprise to many. However, the economic elite has shown considerable resilience through this tempestuous period based on their traditional strengths: a world-class financial sector (FMI, iv.11, rank # 1), a leader in *Entrepreneurship* and *Unicorns per 1,000,000 people* (ENT, ii.6, rank # 1 & UNC, iv.11, rank # 1) and strength in *Venture capital finance* (VCK, ii.6, rank # 1), as well as moderate levels of regulation reflected by a formidable second place in the Regulatory Capture Pillar (i.2). While all of this has contributed to a high ranking in the Creative Destruction Pillar (ii.6, rank # 2), it has so far failed to gain sufficient traction to break the towering dominance of the business elite as is seen in the Firm Dominance Pillar (ii.5, rank # 145). It was also not able to alleviate the relatively weak rankings obtained by the UK for *R&D % of GDP* (RND, ii.6, rank # 17) and *Number of patent applications per 100,000 people* (PAT, iv.10, rank # 16) or to close the country's productivity gap with its continental peers, Germany and France (OECD, 2021). Despite the high level

of *Social mobility* (MOB, i.2, rank # 9), we still find a protected and closed elite based on inherited rather than self-made worth (BCD, ii.6, rank # 29; BSG, iv.11, rank # 15 & BSM, iv.11; rank # 17). Wealth is also highly concentrated in the hands of billionaires as the *Billionaire's wealth as % of GDP* Indicator illustrates (BIW, ii.5, rank # 116).

The UK's third position in the Political Power Sub-Index reflects high *Institutional quality* (DBI, ii.2, rank # 7), an excellent level of *Political globalization* (PGL, i.1, rank # 4) emanating from the country's rich global past and national identity, and a leading position in *Digital institutional quality* (EDB, i.2, rank # 2). Taken together, all of this appears to show a positive narrative for one of the world's oldest parliamentary democracies embracing a modern future. However, a closer look reveals that substantial work is still needed regarding the political inclusion of women (WPI, i.1, rank # 28), the degree of *Crony capitalism* (CRO, i.2, rank # 34), *Political corruption* (COR, i.1, rank # 20) and unresolved religious tensions (GRI, i.3, rank # 57 & SHI, i.3, rank # 122). In addition, the UK's high Political Power ranking (i, rank # 3) does not translate into political elites delivering political value in equal measure. Public debt remains persistently high (DBT, iii.9, rank # 121) despite the legacy of low levels of *Subsidies and transfers as % of expenses* (SNT, iii.7, rank # 80) that have resulted from years of austerity. Further, the well-known lack of *Regional redistribution as % of government budget* (REG, iii.7, rank # 122), together with the low degree of *Political decentralization* (PDE, i.1, rank # 33) and *Administrative decentralization* (ADE, i.1, rank # 46) needs to be addressed not only with regard to the North-South divide in England, but much more urgently in the face of a resurgent independence movement in Scotland and the threat of renewed conflict in Northern Ireland.

Nevertheless, the UK receives a praiseworthy top ranking in the *Environmental Performance Index* (EPI, iii.9, rank # 1) reinforcing the government's new emphasis on the climate emergency (UK Government, 2020) and the global showpiece it will have as the host of the UN COP26 climate summit in Glasgow in 2021. In addition, after much initial disarray in the handling of the COVID-19 crisis, the UK is now internationally admired for its vaccine rollout programme that has demonstrated elite quality at its best. If the elite can extend the spirit of pragmatic Value Creation more broadly, the country can be optimistic about the journey ahead.

Prof. Maik T. Schneider,
University of Bath, UK

United Kingdom

EQx2021 Country Scorecard

Population **67 million**
 GDP (nominal) **2829 billion USD**
 GDP per capita **42'330 USD**



Level 1 - Index

EQx Rank / 151
3

EQx Score
64.7

Very High Quality Elites

Level 2 - Sub-Indices & Index Areas

EQx Sub-Indices

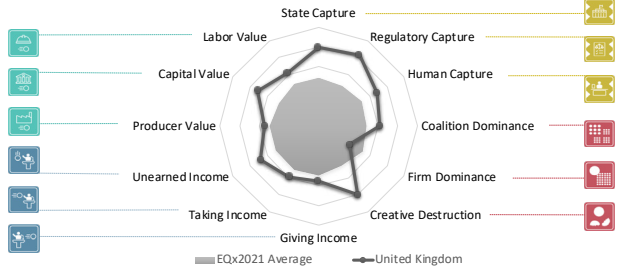
Power		Value	
Rank / 151	Score	Rank / 151	Score
3	69.9	12	62.1

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
3	77.8	5	66.0	21	60.0	7	63.1

Level 3 - Pillars

		Rank / 151	Score
Political Power (i)	State Capture	11	79.8
	Regulatory Capture	2	83.0
	Human Capture	15	67.8
Economic Power (ii)	Coalition Dominance	25	61.8
	Firm Dominance	145	36.5
	Creative Destruction	2	79.7
Political Value (iii)	Giving Income	38	55.0
	Taking Income	34	59.2
	Unearned Income	21	68.0
Economic Value (iv)	Producer Value	52	54.7
	Capital Value	2	71.3
	Labor Value	38	62.2



Level 4 - EQx Indicators

		Rank / 151	Score
State Capture (i.1)	COR Political corruption	20	86.5
	MOB Social mobility	9	85.2
	PDE Political decentralization	33	67.2
	ADE Administrative decentralization	46	61.8
	PGL Political globalization	4	89.2
	WPI Women's Power Index	28	72.3
	RTC Government's responsiveness to change	21	74.0
	EPR E-Participation Index	6	85.1
	PFD Press freedom	29	70.0
	COC Control of corruption	11	98.8
Regulatory Capture (i.2)	DBI Institutional quality	7	84.6
	CRO Crony capitalism	34	54.6
	PMI Protecting minority investors	7	87.7
	ECR Ease of challenging regulations	8	91.3
	EDB Digital institutional quality	2	92.7
	PRI Property rights	3	97.3
	GSI Global Slavery Index	33	66.0
	WBL Women, business and the law	7	80.3
	LIN LGBT+ Inclusiveness	9	87.6
	GRI Religion - Government Restriction Index	57	61.1
Human Capture (i.3)	SHI Religion - Social Hostilities Index	122	31.4
	WSB Women self made billionaires	2	92.1
	HRI Human Rights Index	20	85.6
	FDP Forcibly displaced population as % of population	1	56.2
	AFI Academic Freedom Index	30	73.4
	IEE Top 3 industries exports as % of GDP	3	73.7
	ECI Economic Complexity Index	11	88.7
	IVA Top 3 industries as % of VA	85	25.9
	CON Construction as % of GDP (dev. fm optimum)	28	54.2
	MIL Military expenses as % of GDP (dev. fm optimum)	107	38.4
Coalition Dominance (ii.4)	UNI Unionization rate (dev. fm optimum)	42	49.4
	CBC Collective bargaining coverage	29	58.7
	BSN Barriers in service & network sectors	1	100.0
	PRO Top 10 firms profitability	91	39.7
	SME SMEs per 1,000 people	34	47.3
	BIW Billionaires' wealth as % of GDP	116	44.1
	FKG Top 10 firms market cap as % of GDP	35	53.8
	FRG Top 3 firms revenues as % of GDP	81	40.3
	FRR Top 30 firms revenues as % of GDP	69	0.0
	TUL Listed firms turnover, long run 15 years	10	66.9
Firm Dominance (ii.5)	TUS Listed firms turnover, short run 3 years	12	63.4
	ENT Entrepreneurship	1	100.0
	VCK Venture capital finance	1	100.0
	RND R&D as a % of GDP	17	72.7
	ENR Firm entry ratio	5	90.7
	EXR Firm exit ratio	4	71.8
	BCD Billionaire's creative destruction	29	50.5
	IWE Index of Women Entrepreneurs	6	74.4
	VCA Venture capital availability	11	93.6
	GSE Governmental support to entrepreneurship	33	48.7

		Rank / 151	Score
Giving Income (iii.7)	SNT Subsidies and transfers as % of expenses	80	33.0
	REG Regional redistribution as % of government budget	122	21.0
	EDU School life expectancy	15	73.7
	GPS Expenditure on general public services as % of GDP (dev. f	20	61.8
	INT Internet access	12	80.8
	NRI Network Readiness Index	10	90.8
	LEW Life expectancy women	21	74.8
	LEM Life expectancy men	16	80.8
	FSQ Global Food Security Index - availability, quality and safet	18	80.0
	COV COVID-19 excess deaths, age-adjusted	27	48.8
Taking Income (iii.8)	COF COVID-19 fatality rate, age-adjusted	53	58.7
	CGD COVID-19 growth differential	138	48.1
	COM COVID-19 mortality rate, age-adjusted	120	26.1
	CLS COVID-19 lost schooldays	61	56.4
	OSI Online Service Index		
	DCT Corporate tax rate (dev. fm optimum)	61	53.7
	HOM Homicide rate	33	64.9
	INE Top 10% share of pre-tax national income	32	76.5
	FDE Fiscal decentralization	37	44.4
	DTR Tax revenue as % of GDP (dev. fm optimum)	102	13.0
Unearned Income (iii.9)	BRD Battle-related deaths per 100,000 people	1	53.8
	GCI Global Cybersecurity Index	1	87.0
	SUI Suicide rate per 100,000 people	84	53.1
	SUB Death rates from substance use disorders per 100,000 pe	129	35.5
	OCR Organized crime	22	71.8
	DUT Dutch disease propensity	34	62.9
	EPI Environmental Performance Index	1	100.0
	DBT Government debt as % of GDP	121	31.7
	TRF Trade freedom	13	75.8
	FDI FDI net inflows as % of GDP	62	47.0
Producer Value (iv.10)	BTF Barriers to FDI	23	63.9
	EGL Economic globalization	5	93.3
	HEI Health Efficiency Index	38	34.2
	OFB Open for business	21	54.4
	ESG ESG company scores	8	68.8
	RDR R&D as % of revenue Top 10 firms	17	53.1
	FSA Global Food Security Index - affordability	19	74.2
	PAT Number of patent applications per 100,000 people	16	51.7
	IPM Share of imports targeted by protectionist measures	133	29.6
	DGI Share of discriminatory government interventions as % of	119	26.9
Capital Value (iv.11)	DNI Neutral interest rate (dev. fm optimum)	2	81.1
	DOI Inflation (dev. fm optimum)	1	62.7
	GOL Gold demand as % of GDP	8	65.1
	DMA M&A as % of investment - 3 yrs. rolling average (dev. fm. c	40	51.0
	DKI Delta capital gains tax vs income tax	70	26.0
	UNC Unicorns per 1 million people	1	100.0
	BSG Billionaires self-made number per 1 million people	15	63.3
	BSM Billionaires self-made as % of total billionaires	17	70.6
	FMI Financial Markets Index	1	100.0
	UEM Unemployment rate	27	60.8
Labor Value (iv.12)	LFP Labor force participation rate	69	51.5
	WLP Delta real wage vs labor productivity increases	15	59.7
	LDR Labor dependency ratio	26	69.5
	YUN Youth unemployment rate	71	58.3
	GWG Gender wage gap	58	52.8
	BRN Net brain drain	8	73.6
	LFR Labor force participation ratio - male vs female	45	66.0

The Elite Quality Report 2021 (EQx2021) provides Country Scores and Global Rankings for 151 countries
 © Foundation for Value Creation 2021