United States

Ranked 17th of 149 on the 2016 Legatum Prosperity Index™

OVERVIEW
The US continues to rank in the global top 20 for overall prosperity, and continues to over-deliver prosperity relative to its wealth, but its prosperity has been stagnant for the past decade.

Compared to other top 20 countries, the US has seen marked stagnation in prosperity over the past decade. Its Prosperity Index score is no different in 2016 than it was in 2007. American stagnation has occurred in a favourable global environment, with global prosperity reaching its highest point in the past decade in 2016. This means the US is in decline relative to emerging and advanced economies alike. Prosperity gains in both Germany and China, for example, have outpaced American gains since 2007. Americans’ experience of relative decline is fuelling their support for populism, which can further erode the country’s prosperity.
Sub-Index Rankings
In the Prosperity Sub-Index rankings, United States performs best on Business Environment and Social Capital and scores lowest on the Safety & Security sub-index.

Visit our Rankings table to see how the United States compares to other countries.

PROSPERITY GAP

The ‘Prosperity Gap’ takes a country’s GDP and uses it as the yardstick to measure a nation’s expected Prosperity Index ranking.

The US has the 33rd largest prosperity surplus in the world, and has consistently delivered a similarly sized surplus over the past decade. Its biggest surplus is in Business Environment, where it takes the global top spot. It ran a deficit in two of the nine sub-indices – Health and Safety & Security.
COMMENTARY

The US suffered a particularly severe financial crisis: two consecutive years of negative GDP growth in 2008 and 2009 were followed by unemployment rising to a peak of 9.7% in 2010. Its economic recovery has been equally remarkable. GDP growth has been consistently positive from 2010 while unemployment has dropped to 6.2%. Its Economic Quality rank has risen four places from 18th, since its low point in 2011. Its Business Environment is ranked as the world’s best for the third consecutive year, rising from 9th place in 2011. This economic recovery, however, masks an underlying trend of stagnation across a broader range of indicators of American prosperity.

Gains in Economic Quality and the Business Environment have been offset by deteriorating or stagnating rankings in all other sub-indices. Health and Safety & Security, for example, slipped by 11 and ten ranks respectively since 2007. Personal Freedom, a concept so central to American prosperity, is ranked in the same place as it was in 2007: 26th.

Indeed, while fewer Americans are satisfied with their living standards and fewer feel comfortable with their level of household income, the real cause of this stagnation is social. Violence and terrorism continue to weigh down on Safety & Security. Serious issues exist in healthcare, where satisfaction with the current system has fallen and key problems such as obesity and mental health are on the rise. Personal Freedom has been hit by falling levels of tolerance. Together, these social issues are a significant obstacle to an increase in American prosperity, and they in themselves pose a political threat to the foundations of American prosperity.

It is not the level of prosperity but the trend which people experience most acutely. Our wellbeing is amplified during periods of growing prosperity and is diminished, at a greater rate, during periods of declining or stagnant prosperity. Although the US remains one of the world’s most prosperous countries, its stagnant prosperity over the past decade has caused widespread discontent.

The experience of decline causes anxiety among voters and so broadens the appeal of populists like Donald Trump who, by embodying radical change, promise relief from stagnation. What we know of Trump’s tweet-sized policies - build a wall along the Mexican border, restrict Muslim immigration, make NATO allies pay for protection, start a trade war with China – is that they will harm the components of American prosperity. Restricting and deporting immigrants, to the extent Trump proposes, requires a police state with constant identity checks, home raids, and neighbours spying on one another; it corrodes Americans’ Personal Freedom and Social Capital. Trump’s proposed treatment of NATO would damage American and global Safety & Security, while his anti-trade plans would knock America off first place in Business Environment.

Populism, whether represented by Donald Trump or by others, offers instead of relative decline a more worrying case of absolute decline: an America where people have lower Personal Freedom and weaker Social Capital; an America that is unsafe and closed to global commerce. Apart from Personal Freedom, which the Index shows recent improvement, these are the pillars of prosperity that are most in need of improvement. American Social Capital, Safety & Security, and Economic Quality are at a lower level now than they were a decade ago.
Ways to make a change
Click on the Tweets to help make a change in your nation.

1. Is prosperity stagnating in the US? Western Europe’s prosperity increases but America’s does not.
2. US - Still the world’s number 1 for Business Environment!
3. America Land of the Free but only 26th in Personal Freedom?

SPECIAL ANALYSIS

The US has ranked in the global top 20 for overall prosperity over the past decade. The past decade has seen it rise up the rankings in Economic Quality, Business Environment, and Social Capital, but slip down the rankings or stagnate across all other sub-indices. Its prosperity score is at the same level now as it was in 2007 while most other countries have seen prosperity gains since then.

Areas of success
The US’ recovery from the financial crisis has seen its Business Environment rank go from 9th globally to 1st. More Americans think their country is a good place to start a business, and more think they can get ahead by working hard, in 2016 than they did in 2007. There have also been improvements in the country’s business infrastructure: its Logistics Performance Index has increased and broadband penetration has deepened. Its Economic Quality rank has also risen, on the back of faster GDP growth and declining unemployment.

Areas of little change
Despite improving its Personal Freedom score over the past decade, American Personal Freedom remains ranked at the same level now as it was in 2006: 26th place globally. Deteriorating tolerance for ethnic minorities and immigrants has been offset by fast-rising tolerance for LGBT communities while Americans’ satisfaction with their freedom of choice is at a slightly lower level now than it was in 2007.

Areas for improvement
Notable areas for improvement are Health and Safety & Security, which have slipped by 11 and 10 ranks respectively since 2007. In Health, the past decade has seen a rise in the proportion of Americans who experience sadness and worry, from 26% in 2007 to 33% in 2016. This increase is associated with America’s relative decline in overall prosperity. Fewer Americans are satisfied with their local healthcare provision and obesity rates have risen. In Safety & Security, the past decade has seen a rise in theft and terrorism-related deaths. The country’s homicide rate has declined over the past decade, but remains at a high level compared to most of its fellow OECD members.