



CHANDLER
INSTITUTE OF GOVERNANCE

The Chandler Prosperity Model

A Blueprint for Building and Sustaining Prosperity





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The Chandler Prosperity Model

A BLUEPRINT FOR BUILDING AND SUSTAINING PROSPERITY

A Richer Understanding of Prosperity

For decades, calling a country ‘prosperous’ has been shorthand for calling it wealthy, while a single metric, GDP, has dominated discussions on development. Economic output, income, and wealth are, of course, important components of prosperity – but the word carries a richer meaning. Prosperity comes from the Latin *prosperus*, or ‘doing well,’ and it is this fuller sense of the word that more citizens, employees, and leaders are focused on today. What does it mean for a nation to do well for all of its people – and for the planet? What does it mean for communities and businesses to thrive today, without that success being purchased at the expense of future generations?

The Chandler Prosperity Model (CPM) is a way to visualize – and better understand – prosperity and its many components, to glimpse how they are at once distinct yet connected (See the infographic on pages 3 to 4 for a full description of the Model). It encapsulates the simple big idea that governance, the marketplace, and the community all have critical – and complementary – roles to play in creating prosperity, while offering specific areas of focus within each. The Social Mobility Ladder and Trust Waterfall, either side of the model, show the importance of both top-down and bottom-up initiatives.

Prosperity: Total Game Understanding

The three levels in this model highlight the multi-dimensional nature of prosperity.



*Each nation has an identity and story anchored in heritage, culture, values and traditions

The model bridges government, business, civil society and individuals. All are needed to create and sustain prosperity – and none can do so on its own.

Helping Countries – and People – Take Flight

One way to think about building prosperity is to envision a modern aircraft. There are different ways to build an aircraft and the many parts that go into it, yet there is broad consensus on the core components needed to fly and the forces that have to be overcome. It is a field abounding in new innovations and breakthroughs, and yet one that faces familiar forces and limitations. There are tools that can be put in place to safeguard against human error. And we know that when everything works together well, a group of people can reach terrific heights.

A 3-Part Fuselage: Without It, Nothing Gets Off the Ground

Just as a safe, strong aircraft requires a sturdy fuselage, so prosperous nations must have a strong “fuselage” of their own, in the form of:

1. Good national governance;
2. A vibrant, creative marketplace
3. Strong community and culture

Together, these three levels form the core of any country – and of our model. Just like an aircraft cannot function if its fuselage is damaged, so countries cannot prosper meaningfully and sustainably if these levels are weak.

Components of the Chandler Prosperity Model

Each of the fifteen components in the Model reinforces and supports the others. Cities cannot be livable without also being secure and healthy, while an innovative and dynamic business culture and climate generates more economic opportunities. Prudent and effective financial stewardship by governments ensures sufficient tax revenue to fund education, while keeping the cost of capital down. In this way, the CPM offers a holistic way of viewing prosperity, focusing on specific areas that have outsized impact, and showing the powerful ripple effects of well-targeted interventions.

Components of the Chandler Prosperity Model

Level 1: National Governance



Leadership Wisdom: Good leaders are guided by the wisdom of long-term legacy thinking, are ethical and competent. They act as architects of their nations.



Institutions & Civil Service: Sound public institutions are well-constituted, have strong systems and processes, are well-staffed and resourced, and are adaptable and resilient.



Rule of Law: Rule of Law creates a well-governed society, fostering a healthy business environment, enhances economic growth, curbs corruption, restrains the abuse of power, and improves access to public services.



Financial Stewardship: Governments tax and spend wisely, ensure that expenditure is sustainable and within their means, and not leave excessive liabilities and debts for future generations to deal with.



Policies & Regulation: Well planned and designed policies and regulations ensure effectiveness, reduce abuse and unintended consequences. They must also be implemented and enforced well.

Level 2: Marketplace Vitality



Livable Cities: Livable cities are the crucible of entrepreneurship and innovation. New businesses and research spring from cities as they are magnets for innovation, talent and capital.



Business Culture & Climate: Countries that are business-friendly with the appropriate legal, regulatory, institutional, and procedural infrastructure unleash the power of the private sector to create jobs and power economic growth, entrepreneurship and innovation.



Marketplace Infrastructure: Physical infrastructure is a public good that supports economic activity and productivity, thereby allowing businesses to operate, thrive and grow.



Availability & Cost of Capital: Businesses have good access to capital markets, to fund promising innovations, scale operations and grow.

Level 3: Community & Culture



Security & Social Cohesion: Communities thrive and are fortified in an environment where members are united by common aspirations and culture, feel safe, and can co-exist without friction or conflict.



Health: Healthy populations, with access to essential, affordable and quality healthcare, outlive and economically outperform unhealthy ones.



Education & Core Values: Education eradicates poverty and provides a platform for the community to build a shared understanding and alignment of the important civic values.



Family & Housing: Housing reduces the uncertainty and fear of dislocation, and provides a sense of belonging, permanence and security. It gives people the courage and confidence to plan for the future and make better long-term decisions.



Vocational Skills: Individuals equipped with improved vocational skills tend to have more work options, and can earn higher incomes. Businesses and investors are attracted to communities equipped with vocational skills required for their companies.



Economic Opportunity: An attractive business environment creates jobs, opportunities and economic progress, which in turn generate more opportunities for future generations to work and fulfil their potential, enabling the community and its people to flourish.

THE CHANDLER PROSPERITY MODEL

Together We Rise

LEADERSHIP & SYSTEMS

Good governance is a product of both leadership and systems.

A good leader architects laws and institutions, systems and processes.

The Left Wing

SOCIAL MOBILITY

Opportunity & Freedom to Create

- Societal Leader & Legacy
- Societal Purpose & Contribution
- Industry Leader
- Professional Growth
- Skills & Core Values
- Beliefs & Behaviours
- Heritage & Dreams

“

It was not lack of ability that limited my people, but lack of opportunity.

Nelson Mandela

MOMENTUM

Trust Creates Thrust

The Right Wing

TRUST EQUITY

Government Trust Equity

- Character of Leadership
- Competency of the Civil Service
- Consistency of Policy
- Quality of Laws & Institutions
- Financial Strength & Resiliency
- Country Reputation & "Brand" Value
- Country Risk & Credit Rating

Marketplace Trust Equity

- Quality Infrastructure
- Innovation Ecosystem
- Business Incentives & Protections
- Marketplace Regulations
- Fair Taxation
- Access to Capital & Cost of Borrowing

Social Trust Equity

- Equal Opportunity & Social Mobility
- Security & Safety
- Jobs
- Public Services
- Life Expectancy & Well-Being
- Property Rights
- Household Savings & Wealth



Level 1: National Governance



Level 2: Marketplace Vitality



Level 3: Community & Culture





Augustus Caesar, Napoleon and Lee Kuan Yew were very different individuals, but they were all accomplished architects of nations, and institution builders who prioritised effective governance and prosperity.

The Critical Importance of National Governance

Governance sits atop the model for a reason. Its influence and actions can powerfully shape the opportunities that businesses and citizens enjoy. When governments do the right things and do them well, the Trust Waterfall flows and the Social Mobility Ladder can reach higher.

The 2022 Chandler Good Government Index finds a clear relationship between countries with robust rule of law, low government corruption and secure property rights on the one hand, and higher GDP per capita on the other. When governments create sound and principled legal, regulatory, institutional and procedural infrastructure, they help to unleash the power of the marketplace and create more opportunities for communities.

The Architecture of Prosperity: The Flight Systems are as Important as the Pilot

A successful flight is often attributed to a good pilot, but flight control systems play an equally important role in getting the plane to its destination. Similarly, governance is often conflated with – or overshadowed by – leadership. More attention seems to be directed toward the policies and decisions of individual leaders, rather than the tradecraft of building sound and lasting institutions, systems, and processes. Leadership matters, of course, but the best leaders see themselves as architects of institutions and stewards of a national story, and their enduring legacies have outlasted their tenure.

History offers various leadership archetypes. There are the ‘hero leaders’ who have led a nation to victory on the battlefield, and

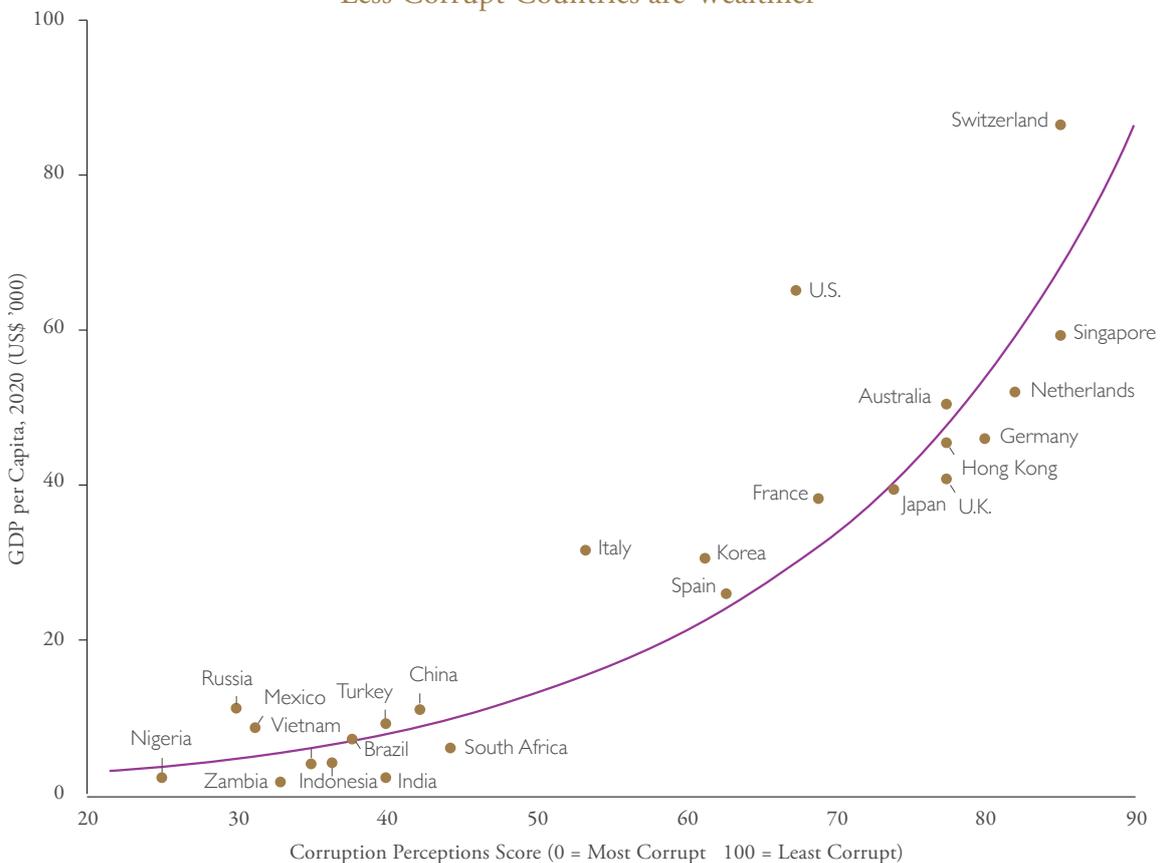
‘political leaders’ who have risen to power on the back of an appealing political philosophy or social ideology. Then there are the ‘national architects’, those who develop a set of laws, institutions, and systems that create a foundation for lasting prosperity.

Sometimes, a leader will be a mix of archetypes. The French emperor Napoleon was a military genius who put in place a set of laws – the ‘Napoleonic Code’ – and institutions that became the pillars of a strong system of governance. The great empires of Persia, Babylonia, and Rome all contain stories of leaders who valued moral codes, laws, institutions, and systems. Rome’s golden age was established by Augustus Caesar who created constitutional reforms, built lasting institutions and a competent civil service, and reformed the financial structure of government. The foundations he laid enabled Rome to enjoy 200 years of relative peace and prosperity, proving that strong laws, institutions, and systems were the best insurance against the weak leaders who followed him.

The strength and resilience of constitutions and institutions serve to guard nations against ineffective, egocentric or malevolent leaders who seek to weaken or manipulate the government for their own benefit. Just like how modern flight control systems can override actions by pilots that endanger passenger safety, effective constitutions and institutions establish balance and boundaries to ensure the smooth functioning of government, and limit the damage caused by weak or rogue leaders.

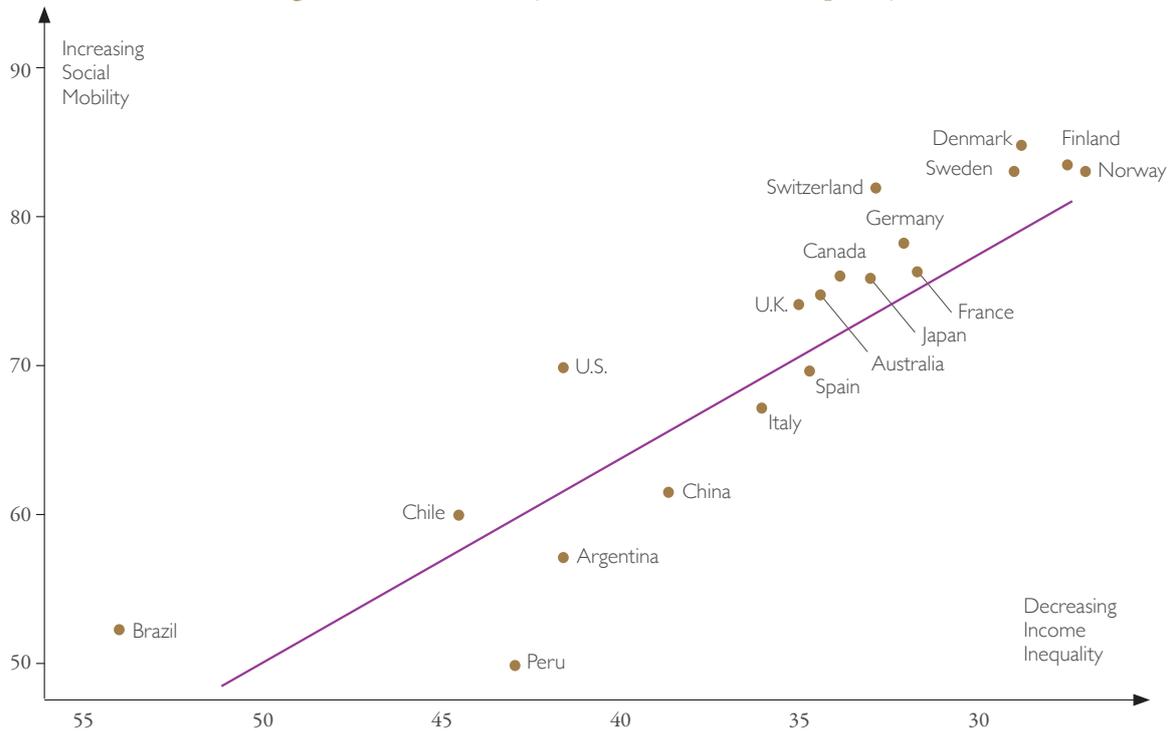
Lee Kuan Yew, Singapore’s Prime Minister from 1959 to 1990, stands out as an example of the quintessential national architect. While his most visible role was in piloting the Singapore “aircraft” as a statesman and a gifted leader, Lee also worked hard architecting and engineering the aircraft – designing effective laws, systems, institutions, and social organisations. These foundations will enable the country to sustain its prosperity for many generations to come.

Less Corrupt Countries are Wealthier



Sources: World Bank Dataset (2020); Transparency International, Corruption Perceptions Index (2020)

Higher Social Mobility Reduces Income Inequality



Source: World Bank

Providing Lift: The Two “Wings” Either Side of the Model

Either side of the CPM, like wings on a plane, are what help nations reach new heights. To the right is the ‘Trust Waterfall.’ Standing to the left is the ‘Social Mobility Ladder.’ Both deserve a closer look.

The Trust Waterfall Flows from Government

Trust is the oxygen of strong nations, and the goal of governance should be to expand trust across all levels of society. Effective and wise governance fosters greater investment, innovation, entrepreneurship, and economic growth. This growth, in turn, provides governments with the financial resources and tax revenue to build better systems, hire and retain talented civil servants, and deliver high-quality infrastructure and services, such as schools, hospitals, law enforcement, internet access, and public housing.

The fastest way to build trust is to eliminate corruption. Transparency International’s *Corruption Perceptions Index* shows that every country that has low levels of corruption has high levels of prosperity. There are no

exceptions. This is why government integrity is so important. High trust societies start with the integrity of national leaders. We call this the ‘trust waterfall’ because integrity flows from government into the marketplace and the community.

Trust and prosperity are tightly correlated, and higher trust results in greater access to (and lower cost of) capital and investment.

Hence, increasing the level of trust in government must always be a top priority. Clear property rights, sound laws, and effective anti-corruption systems all help. Yet, laws and rules are one thing, and compliance standards are another. Are the rules applied fairly and consistently? Can relationships or money purchase exemptions to them? Are the rules outdated, poorly designed, overly complex or bureaucratic?

Helping People Rise: Equal Opportunity and the Social Mobility Ladder

Governments around the world are under increasing pressure to address income inequality, lack of opportunity, and discrimination.

There is a clarion call to build fairer societies, ones that provide everyone – regardless of race, gender or religion – with opportunities to be safe, healthy and educated, and to hold jobs, own homes, and participate in a vibrant marketplace. What people are seeking is a better life – the opportunity to climb the social mobility ladder and achieve their dreams.

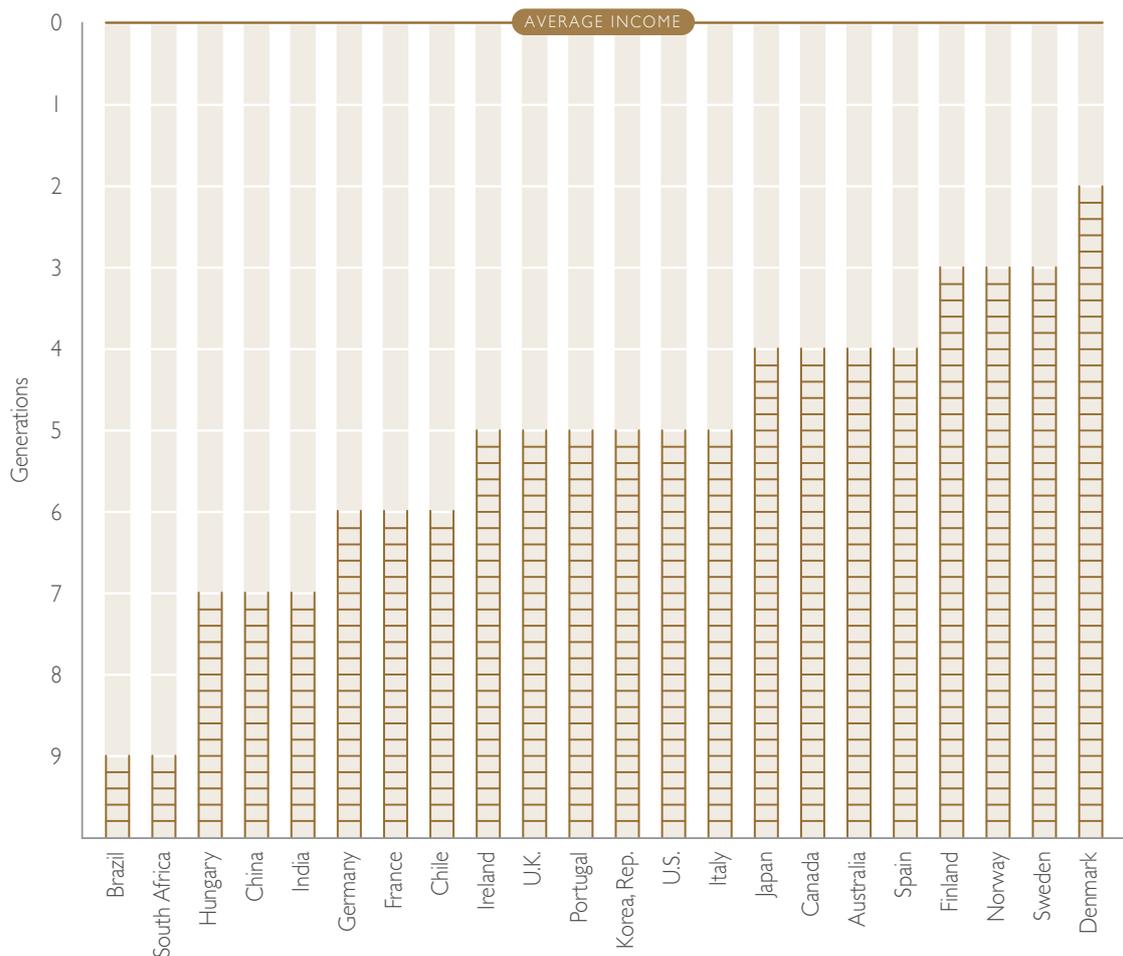
Entwined with the social mobility challenge is the idea of a ‘fair society,’ where shared prosperity is anchored by policies grounded in social equity – equal rights and equal access to public goods and services. Building a strong social mobility ladder is key to building fairer societies.

At the heart of social mobility is equality of opportunity. Countries that work hard to achieve broad and genuine equality of opportunities are building ‘tall’ ladders – ones that allow anyone, regardless of how humble their starting point in life, to aspire, dream and achieve successes as readily as those born to wealthy families. Conversely, governments that neglect social mobility, and allow social and economic divides to harden into class structures over time, can be said to have ‘short’ ladders. In these countries, the poor largely stay poor and the wealthy remain wealthy.

There is a difference between a ladder and an escalator, however. Individual aspiration and effort are necessary to climb the Social

Short Ladders, Tall Ladders

Number of generations for children born in low income families to reach average income



Sources: World Economic Forum / OECD

Mobility Ladder. Each person's success is part of their personal journey of growth, to surpass one's starting point while remaining anchored to heritage and values. This individual growth is best supported by cultural and community values that emphasise learning and hard work, and which balances shared and individual responsibilities.

Achieving Take-off Velocity

It is not enough for a country to have each of these components in the Model – the individual components also need to work together in the right way. Journeys of national strength and flourishing involve collaboration across and between the political, economic, and social communities.

Countries that fail to achieve this balance will suffer from bureaucratic governance with poor accountability, overly powerful and dominant commercial monopolies, or marginalized and fragile communities. Such countries risk being caught in a “middle income trap” or a low-growth equilibrium – akin to an aircraft cruising at low altitude, but unable to lift itself higher and maximise its national prosperity and development.

Sustaining Flight

Talent and capital migrate to good governance. This migration can be seen in the pages of history – in 15th Century Renaissance Florence, for instance – as well as the newspapers of today, with the ebbs and flows of capital and talent around the world. Tracking those flows offers a glimpse of those who are winning – and those who are falling behind – in what our founder, Richard F. Chandler, calls the governance competition.

This competition is a high-stakes contest for capital and talent in which every nation, state, and city participates. On the line are their short-term performance and long-term strength. The winners are those whose government are most trusted and most competent. Sound governance translates into stability and strong brand equity, boosting investment and growth.



A powerful example of the pace and potency of this “governance competition” can be seen in Russia. The country has been diagnosed by analysts as suffering from a “brain drain,” as millions of citizens, many of them highly educated, have emigrated since the start of the 21st Century. Research by the Atlantic Council suggests both the number of emigrants and pace of their departure has grown in recent years, and that as many as 40 percent of those leaving are doing so because of the country’s “political climate.” Within the first month of Russia’s war with Ukraine, estimates suggest that more than 200,000 Russians fled the country, while over that same period, more than 450 companies withdraw their operations. A vibrant marketplace is a crucial component of a country’s long-term flourishing. The vibrancy of that marketplace is shaped not only by the skills and talents of the people who participate in it, but also the freedom with which they are able to express those skills and talents.

History tells us that the “winners” of today’s governance competition are not guaranteed to be the victors of tomorrow, just as it reminds us that a country’s past struggles need not inhibit their future growth. Nations rise and fall – prosperity leads to complacency, loss of discipline and decay. Wealth does not always imply wisdom. Indeed,



Renaissance Florence witnessed an extraordinary flourishing of creativity, prosperity and opportunity. Which nations will win the governance competition, and achieve similar heights today?

prosperity appears to lead to excessive spending, loss of discipline and geopolitical overreach. For many countries, it may be easier to achieve an initial burst of growth and development than to sustain momentum and remain strong and prosperous in the long run.

Implementing a National Blueprint

Because good governance is crucial for national development, national leaders and governments need to be experts in how to build effective and accountable public institutions and services. Many nations develop medium-term development plans and economic strategies, but beyond this, nations also need holistic and integrated blueprints to improve the quality of governance.

These blueprints are much more than annual workplans or key performance indicators. Crafting a sound governance blueprint requires the tradecraft of stewarding and telling a country's story, architecting a constitution that upholds national values, the desired balance of authority between government institutions, and the rule of law, and building a great public service culture. These blueprints also map out the optimal governance structure, institutional linkages, "whole of government" planning

and coordination systems, as well as sound budgeting, people management, financial and procurement controls and systems.

Concurrently, government ministries and agencies need to build capabilities in planning, policy analysis and design, stakeholder engagement, and public communications. These must be paired with greater expertise in policy operations, implementing initiatives and programmes, and the enforcement and review of regulations. The Chandler Institute of Governance has developed holistic platforms, toolkits and tradecraft in partnership with its network of government practitioners and experts around the world, to partner with governments around the world in their public sector reform and transformation journeys.

Nations that master the architecture and engineering of governance to build professional and adaptive institutions, fair and just societies, shared prosperity and exciting national narratives will attract and retain the talent and capital that will meet the challenges of the near and distant future. They will not just be the winners of the governance competition, they will be the leaders of tomorrow's world.

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