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THE UNITED KINGDOM RANKS 12TH IN LEGATUM PROSPERITY INDEX, AHEAD OF GERMANY AND FRANCE

UK ranks 2nd globally in innovation but lags other world leaders in education, health, and domestic security.

LONDON, October 26, 2009 – The third edition of the Legatum Prosperity Index, published today, ranks 104 countries (covering 90% of the world's population), based on a definition of prosperity that combines economic growth together with measures of happiness and quality of life.

The United Kingdom ranked 12th in overall prosperity, but lagged behind Finland, the world leader, and the United States in 9th place. Fourteen of the top 20 countries in the 2009 Prosperity Index are located in Europe. In order of rank, they are: Finland, Switzerland, Sweden, Denmark, Norway, Netherlands, Ireland, UK, Belgium, Germany, Austria, France, Spain, and Slovenia.

“The Legatum Prosperity Index is the world’s only global assessment of wealth and wellbeing,” said Dr. William Inboden, Senior Vice President of the Legatum Institute. *“Despite the recession, the UK continues to perform well on a number of important economic indicators,”* continued Dr. Inboden, *“but beyond the positive headlines, the UK is burdened by sluggish performance in its educational institutions, its domestic security, its health outcomes, and even people’s view of how free they are to create the life they would like to have. The Index clearly shows that the UK’s path to future prosperity rests in its ability to lead as a global innovator and in how well it tackles these barriers to continued growth.”*

Of the world’s 25 most populous nations, the UK ranks 2nd behind the United States but ahead of Germany (14th) and France (17th). The Prosperity Index finds that the UK, Germany, and France all trail the U.S. in both economic measures as well as key quality of life measures. The U.S. outranks each of them on safety and security measures, which is somewhat surprising given public perceptions on the issue. The U.K., leads both Germany and France in its overall approach to economic wellbeing, which combines macroeconomic fundamentals, innovation, and the contribution of government policy to economic growth and overall wellbeing. However, it lags behind its European rivals in education, health, and the level of personal freedom enjoyed by the public.

Key Findings from the 2009 Legatum Prosperity Index

- European countries dominate the top 20, including Finland, Switzerland, Sweden, Denmark, Norway, Netherlands, Ireland, UK, Belgium, Germany, Austria, France, Spain, and Slovenia.
- The UK ranks 2nd globally in entrepreneurship and innovation.
- The UK performs better on overall economic fundamentals, despite the recession, than 5 of the top 10 ranked countries in the Prosperity Index.
- Among the top 15 ranked countries, the UK and Germany are the only ones to rank below 20 on 3 different measures of prosperity. The UK ranks 21st on education, 23rd on health, and 22nd on domestic security.
- The UK ranks higher on the overall Prosperity Index than it does if measured by pure economic or happiness outcomes alone. It ranks 11th globally in its combined performance on the Prosperity Index’s economic indicators, and 15th in its combined



performance on the Index's quality of life measures. Comparatively, it ranks 18th in the world when measured by per capita GDP, and 17th when measured by how satisfied its citizens say they are with their lives on the Gallup World Poll. This indicates that the underlying drivers of long-term prosperity are stronger than simple outcomes measures might suggest.

- The UK outperforms Germany and France in governance's contribution to economic growth and wellbeing. On the democratic institutions sub-index, which assesses the contribution of government policy to economic growth, the UK ranks 11th globally, outperforming Germany (21st) and France (14th). On the governance sub-index, which assesses government policy's effect on the life satisfaction of citizens, the UK ranks 13th, again outperforming Germany (17th) and France (18th).
- On public safety and security, the UK ranks 22nd, Germany ranks 21st, and France ranks 23rd. All three trail the United States, which ranks 19th.
- The top five most entrepreneurial and innovative countries in Europe are, in order of rank, the U.K., Sweden, the Netherlands, Denmark, and Germany.

The Index identified nine key factors that drive economic growth and personal wellbeing, which are foundations of prosperity. Each of these nine factors is represented in a sub-index and a country's final Prosperity Index ranking is generated by averaging its scores across all nine sub-indexes, equally weighted. **More information on the Prosperity Index, including full country rankings, background on data and methodology, and profiles of each country can be found at www.prosperity.com.**

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Notes to Editors:

About the Legatum Prosperity Index

The 2009 Legatum Prosperity Index is based on statistical analysis of more than 40 years of data for more than 100 countries worldwide, produced and supervised by the Legatum Institute, with input from the research consultancy Oxford Analytica and a panel of respected academic advisors in the fields of economics, history, development, sociology, and political science.

2009 Legatum Prosperity Index Rankings

| TOP TWENTY COUNTRIES | | REST OF EUROPE | |
|----------------------|----------------|----------------|----------------|
| 1. | Finland | 21. | Italy |
| 2. | Switzerland | 22. | Portugal |
| 3. | Sweden | 25. | Czech Republic |
| 4. | Denmark | 27. | Hungary |
| 5. | Norway | 29. | Poland |
| 6. | Australia | 30. | Greece |
| 7. | Canada | 31. | Estonia |
| 8. | Netherlands | 34. | Slovakia |
| 9. | United States | 35. | Croatia |
| 10. | New Zealand | 37. | Latvia |
| 11. | Ireland | 46. | Bulgaria |
| 12. | United Kingdom | 48. | Romania |
| 13. | Belgium | 61. | Ukraine |
| 14. | Germany | 69. | Turkey |



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|-----|-----------|-----|---------|
| 15. | Austria | 85. | Belarus |
| 16. | Japan | | |
| 17. | France | | |
| 18. | Hong Kong | | |
| 19. | Spain | | |
| 20. | Slovenia | | |

| BOTTOM TEN COUNTRIES | |
|-----------------------------|--------------------------|
| 95. | Kenya |
| 96. | Algeria |
| 97. | Tanzania |
| 98. | Nigeria |
| 99. | Pakistan |
| 100. | Cameroon |
| 101. | Central African Republic |
| 102. | Yemen |
| 103. | Sudan |
| 104. | Zimbabwe |

How the Index is constructed

The Prosperity Index accounts for 90 percent of the world's population, using a combination of objective data and subjective responses to surveys. This data comprises 79 different variables, and each is then distilled into one of the nine different sub-indexes identified as a foundation of prosperity. A country's performance in each sub-index is given a score, and the overall Prosperity Index rankings are produced by averaging the equally-weighted scores of the 9 sub-indexes for each country. Those countries that perform well across each sub-index score highest in the overall rankings.

The foundations of prosperity that define successful nations include:

- **Economic Fundamentals** – a growing, sound economy that provides opportunities for wealth creation
- **Entrepreneurship and Innovation** – an environment friendly to new enterprises and the commercialisation of new ideas
- **Education** – an accessible, high-quality educational system that fosters human development
- **Democratic Institutions** – transparent and accountable governing institutions that promote economic growth
- **Governance** – an honest and effective government that preserves order and encourages productive citizenship
- **Health** – the physical well-being of the populace
- **Personal Freedom** – the degree to which individuals can choose the course of their lives
- **Security** – a safe environment in which people can pursue opportunity
- **Social Capital** – trustworthiness in relationships and strong communities

About the Legatum Institute

The Legatum Institute is an independent policy, advocacy and advisory organisation. The Institute's mission is to research and promote the principles that drive the creation of global prosperity and the expansion of human liberty and wellbeing.



For more information about the Legatum Institute, please visit www.li.com

The Institute is part of the Legatum Group, a private global investment organization focused on investing in the international capital markets and the promotion of sustainable development.

For more information about the Legatum Group, please visit www.Legatum.com

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