

**FOR IMMEDIATE RELEASE:**

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**U.S. Ranks 10th In Global Prosperity Index - Falls Behind China In Economic Rankings**

*U.S. scores high on measures of public health and entrepreneurial environment but falls behind China in economic rankings. New EU members outperform Portugal, Italy, Greece, and Spain on key indicators.*

A new study published today ranks the U.S. 10<sup>th</sup> out of 110 countries in a worldwide assessment of wealth and quality of life. Norway, Denmark, and Australia lead the rankings. China improved on economic indicators – moving ahead of the U.S. for the first time – and places 52<sup>nd</sup> overall. Another first in this year's Index: several new EU members from Central and Eastern Europe – led by Slovenia, Czech Republic, and Poland – outperformed their most troubled western and southern neighbors on key indicators.

**The Legatum Prosperity Index™** ([www.prosperity.com](http://www.prosperity.com)) provides the world's only global assessment of national prosperity based on both wealth and well-being. The Index assesses 110 countries (accounting for over 93% of the world's population and 97% of the world's GDP) and ranks them based on their performance in eight sub-indices, including Economy, Governance, Personal Freedom, and Social Capital.

*"The Prosperity Index allows us to see the way nations perform on globally significant factors,"* said Fareed Zakaria, host of CNN's flagship international affairs program *Fareed Zakaria GPS*, at the Prosperity Index launch event in Washington, D.C. today. *"Our dominance is being eroded by the rise of the rest. The U.S. will have to hustle, or fall further in such rankings."*

The U.S. ranks high in categories such as Health (1<sup>st</sup> overall) and Entrepreneurship & Opportunity (5<sup>th</sup>), but has fallen behind China for the first time on the Economy sub-index (U.S. 18<sup>th</sup>; China 10<sup>th</sup>). The Economy sub-index measures the performance of countries in four areas that are essential to promoting prosperity: macroeconomic policies, economic satisfaction and expectations, foundations for growth, and financial sector efficiency.

*"We want to assess the long term drivers of prosperity,"* said Jeffrey Gedmin, President and CEO of the Legatum Institute. *"The Prosperity Index is designed to be a practical tool for researchers, policy makers, media, and the interested public. We hope this year's findings will contribute to the conversation about what makes societies healthy and successful."*

Of the eight sub-indices in the Prosperity Index, performance in the Entrepreneurship & Opportunity sub-index is the most highly correlated with the overall Prosperity score, followed by Governance. The U.S. has dropped in both of these areas between 2010 and 2011. The decline in the Entrepreneurship & Opportunity sub-index is due to slightly higher start-up costs for businesses, uneven economic development, and a decrease in research & development expenditures. In the Governance sub-index, the U.S. lost ground due to a drop in citizens' confidence in federal government, the honesty of elections, and in the judicial system.

*"Some countries are catching up fast, but the Prosperity Index gives us reason not to despair,"* said Zakaria. *"Look at where countries like India and China still are. But the U.S. will have to break out of its deadlocked political system and make choices that involve short term pain. Our crisis is political, not economic."*

In 10<sup>th</sup> place overall, the U.S. trails Canada (6<sup>th</sup>), but maintains a comfortable lead among large countries in the Index (population > 100m), ranking ahead of Japan (21<sup>st</sup>), Brazil (42<sup>nd</sup>), China (52<sup>nd</sup>), and Mexico (53<sup>rd</sup>) in this category.

### **Top 10 – Bottom 10**

| <b>The 2011 Legatum Prosperity Index™ Rankings</b> |               |                  |                          |
|--|---------------|------------------|--------------------------|
| <b>TOP 10</b>                                      |               | <b>BOTTOM 10</b> |                          |
| 1  | Norway        | 101              | Zambia                   |
| 2  | Denmark       | 102              | Kenya                    |
| 3  | Australia     | 103              | Mozambique               |
| 4  | New Zealand   | 104              | Nigeria                  |
| 5  | Sweden        | 105              | Sudan                    |
| 6  | Canada        | 106              | Yemen                    |
| 7  | Finland       | 107              | Pakistan                 |
| 8  | Switzerland   | 108              | Ethiopia                 |
| 9  | Netherlands   | 109              | Zimbabwe                 |
| 10   | United States | 110              | Central African Republic |

### **Europe**

Scandinavian countries are the top European performers in the Index and are joined in the top ten by Finland, Switzerland, and the Netherlands. The U.K. ranks 13<sup>th</sup>, ahead of Germany (15<sup>th</sup>) and France (18<sup>th</sup>). Greece and Italy each dropped four places. While most European countries' absolute Index scores have remained stable despite the financial crisis, Italy is among a small group of countries globally whose absolute Index score has dropped since 2010.

Across Europe, a gap has opened up in areas of Social Capital and Governance – crucial indicators measuring a country's resilience to economic shocks and social disruption. While the countries at the top of the Index have remained stable on this front, Portugal, Italy, Greece, and Spain (the so-called PIGS) report high levels of corruption, low rates of social trust, low levels of rule of law, and inefficient public sectors, which suggests that their foundations for economic recovery may be weaker than elsewhere in Europe. For the first time, some of the new EU members from Central and Eastern Europe – led by Slovenia, Czech Republic, and Poland – outperform the PIGS on these indicators.

France (18<sup>th</sup>) shows a decline similar to the PIGS on certain variables associated with the Economy sub-index, such as lower gross domestic savings rates, higher rates of non-performing loans, and more people lacking adequate access to food and shelter, despite its less troubled economy. While maintaining high scores on many measures across the Index, France ranks low on self-reported employment (94<sup>th</sup> – Germany 19<sup>th</sup>, U.K. 58<sup>th</sup>), and 105<sup>th</sup> on citizens' expectations for their economy (Germany 75<sup>th</sup>, U.K. 57<sup>th</sup>).

The U.K. has improved its Prosperity Index score by 13% over the past two years and ranks 4<sup>th</sup> in the Entrepreneurship & Opportunity sub-index, which measures how countries perform in three areas: entrepreneurial environment, innovative activity, and access to opportunity. In terms of overall score, the U.K. is the most improved country in western Europe over the past two years.

### **Tunisia, Egypt, Turkey**

The data for the 2011 Prosperity Index were gathered at the end of 2010, in the months leading up to the Arab Spring uprisings. The findings from that time suggest that Tunisia (54<sup>th</sup>) – the country where the Arab Spring began – may be best placed for a successful transition. Tunisia is one of only four Arab countries that place in the top half of the Index, and it out-performs Turkey (75<sup>th</sup>) on all but two sub-indices – Governance and Personal Freedom.

In the run-up to the uprisings, both Egypt and Tunisia experienced falls in the Personal Freedom sub-index, with Egypt ranked 109<sup>th</sup> and Tunisia 102<sup>nd</sup> on this measure. People's satisfaction with their freedom of choice fell by 12% compared to the previous year. Due to falls in government approval and confidence in the military, Tunisia's Governance sub-index ranking has declined by ten places over the past two years.

### **Australia rises to 3rd place - Singapore leads economic rankings**

Australia finds itself on the Prosperity Index podium for the first time, placing 3<sup>rd</sup> overall, ahead of New Zealand in 4<sup>th</sup> place. Decades of reforms make Australia one of the most flexible economies in the world, and Australia benefits from a diverse and skilled population and sound civic institutions. Australia and New Zealand lead the world on the Education sub-index, which measures countries' performance in three areas: access to education, quality of education, and human capital, and is a key indicator for sustained economic growth and personal satisfaction.

For the first time this year, a non-Western country leads the Economy sub-index, with Singapore claiming 1<sup>st</sup> place ahead of Norway and Switzerland. The Economy sub-index looks at four areas that are essential to promoting national prosperity: macroeconomic policies, economic satisfaction and expectations, foundations for growth, and financial sector efficiency. China rose 14 places from 24<sup>th</sup> to 10<sup>th</sup> on this measure.

### **Sub-Saharan Africa**

Although most of the Sub-Saharan African countries absolute scores have marginally improved since last year, they have not been large enough to translate into dramatic shifts in rankings. Eight of the bottom 10 countries in the 2011 Prosperity Index are from sub-Saharan Africa. The Central African Republic is at the very bottom (110<sup>th</sup>), followed by Zimbabwe (109<sup>th</sup>) and Ethiopia (108<sup>th</sup>). Besides Botswana, South Africa, and Ghana, all the countries in the region are in the "bottom 30" of the 2011 Index.

All sub-Saharan countries near the bottom of the Economy sub-index have improved their position on this score due to improvements in capital per worker and market size. The region is also showing better absolute scores on the Education and Health sub-indices.

### **Trends: more connected and healthier**

The shadow of the economic crisis still looms over many countries in the world, both developed and developing. However, Prosperity Index data shows some bright spots with regards to at least some of the crucial opportunities and conditions that enable people to increase both their income and their well-being. Since 2009, 87 of the 110 countries in the Index have seen an improvement in their overall prosperity score. The two clearest positive trends can be observed within the Entrepreneurship & Opportunity and Health sub-indices.

### **Methodology:**

The Prosperity Index methodology is based on decades of theoretical and empirical research on income and quality of life. Using sophisticated econometric analysis, we have identified 89 variables

linked to higher levels of income and well-being. These variables are grouped into eight sub-indices, each representing a separate 'pillar of prosperity.' We don't advocate for a one-size-fits-all model, and there is considerable diversity with regards to specific policies, government structures, and cultures among the top countries in the Prosperity Index.

### **The Legatum Prosperity Index™**

The Legatum Prosperity Index™ provides the world's only global assessment of national prosperity based on both wealth and well-being. In its fifth year, the Index assesses 110 countries, accounting for over 93% of the world's population and 97% of the world's GDP. Using rigorous research and in-depth analysis, the Index ranks countries based on their performance in eight sub-indices, including Entrepreneurship & Opportunity, Governance, Personal Freedom, Health, and Social Capital.

### **The Legatum Institute**

The Legatum Institute (LI) is an independent non-partisan public policy group based in London. LI's research, publications, and programmes advance ideas and policies in support of free and prosperous societies around the world.

The full 2011 Legatum Prosperity Index report featuring 110 individual country profiles and interactive data is available at [www.prosperity.com](http://www.prosperity.com)

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