

Two Europes emerging: PIGS Fall Further Behind Prosperous North

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Wealth and happiness divide widens between North and South Europe

Economic problems combined with poor governance, and a lack of security, personal freedom and entrepreneurial opportunity is resulting in a lower sense of wellbeing amongst citizens of the Southern European countries of Portugal, Italy, Greece and Spain (PIGS), according to Legatum Institute's 2010 Prosperity Index.

The fourth annual edition of the Index, published today, analyses a wealth of data from the economy to social capital to give a comprehensive insight into the wealth and happiness of the world's nations.

Britain (13th), Germany (15th) and France (19th) are all ranked in the global top 20 which is led by Norway, closely followed by Denmark (2nd), Finland (3rd) and Sweden (6th). Despite being hit hard by recession, and dropping two places since the 2009 Index, Ireland (11th) remains in the top 20 thanks to its high scores in the areas of entrepreneurial opportunity, safety and security, and personal freedom.

However, the story is very different for European nations in the southern regions. Three of the four original PIGS ranked lower than 2009, with only Italy improving its ranking, moving up one to 25th. Greece moved down three places to 39th, Spain also slid three places to 23rd and Portugal was one lower at 26th. The economic woes of the PIGS are mirrored in their citizens who are not as happy with their lives, a contradiction to the easy-going Mediterranean lifestyle painted in tourism brochures.

The Index highlights how the PIGS are at risk of joining the Baltic states in becoming the left-behind countries of Europe and being overtaken by rising countries such as the Czech Republic (24th), Slovenia (21st) and Hungary (34th).

In their analysis, Legatum Institute noted a trend that well-governed societies enjoy national economic growth and citizen wellbeing while low governance scores correlate with a low overall prosperity ranking. Geographically, Northern and Western European countries, such as Switzerland, Denmark and Sweden tended to display good governance whilst those in the East and South, such as Ukraine, Lithuania and Greece suffered from bad governance. Worryingly, Greece and Italy were out-performed in this area by some former USSR countries such as Slovakia and Slovenia.

But there may be signs of hope in Eastern Europe, said Dr. Ashley Lenihan, Senior Fellow at the Legatum Institute. Countries with a lower overall score still perform relatively well on health, education and safety.

The Legatum Prosperity Index is the world's only global assessment of wealth and wellbeing. It uses a holistic definition of prosperity, which includes factors ranging from economic growth to health and education, to personal freedom and governance.

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Notes to editors:

Legatum Institute's Prosperity Index 2010 is a global index that starts with a holistic definition of prosperity that includes material wealth and quality of life. Using rigorous research and in-depth analysis the index divides prosperity up into eight equally weighted Sub-Indexes, issues a score for each category and produces an average which is used for a country's final Prosperity Index ranking.

Breaking down the research into sub-categories enables the research team to look at each country in-depth and discover prosperity trends.

The sub-categories are:

1. Economy – Which factors in a nation's economy lead to higher levels of per capita income? Which economic conditions promote confidence and lead to higher levels of wellbeing?
2. Entrepreneurship & Opportunity What are the characteristics of a society that encourage citizens to be entrepreneurial, risk-taking, and seek opportunities that lead to higher levels of income and wellbeing?
3. Governance What are the government institutions and types of government functions that lead to growth in per capita income and higher levels of wellbeing?
4. Education Which aspects of an educational system contribute to growth in per capita income through their contribution to human capital, and which elements in a learning environment lead to higher levels of wellbeing?
5. Health What are the health-related factors in a society that are necessary for higher levels of per capita income and wellbeing?
6. Safety & Security How does the personal safety of citizens and the national security of a nation create conditions for growth in per capita income and higher levels of wellbeing?
7. Personal Freedom In what way does the guaranteed right to speak, assemble, think, and worship also promote higher levels of income and wellbeing?
8. Social Capital. What kinds of social networks, relationships, and institutions lead to higher levels of wellbeing and economic productivity?

Each of the sub-indexes provides us with two important analyses: first, an economic assessment and second, an assessment of a country's subjective wellbeing, or happiness.

Most people would intuitively agree that prosperity is not just about money but also about quality of life. The Prosperity Index is the first global index that provides an empirical basis for this belief. As well as being interested in how a country promotes economic development and growth the Prosperity Index also seeks to find out how subjective measures, such as how citizens feel about their own lives and their prospects for the future, affect a country's economic growth. It finds that successful countries enjoy a virtuous cycle of economic liberty and growth, political freedom and good governance, and enterprising and happy citizens, which mutually reinforce each other on the path to prosperity.

Rather than replicating other measurements that rank countries by their actual levels of wealth, life satisfaction, or development, the Prosperity Index produces rankings based on the foundations of prosperity. These are the factors that help drive economic growth or produce happy citizens in a given country.

Methodology

The 2010 Prosperity Index used the Gallup World Poll Service © and Gallup World Poll Data to gather an accurate picture of public opinion of prosperity in each of the 110 countries surveyed.

The 2010 Prosperity Index also used the assistance of Oxford Analytica, an independent consultancy that has for 30 years provided authoritative analysis of geopolitical events.

The 2010 Prosperity Index utilised other helpful indexes such as the Wall Street Journal/Heritage Foundation Index of Economic Freedom, the World Economic Forum's Global Competitiveness Index, the Global Peace Index, the World Bank Governance Indicators, the Human Development Index and the Freedom House Freedom in the World Report.

The Prosperity Index identifies 89 variables that are linked to higher levels of income and wellbeing and categorises them into eight sub-indexes, each of which is considered to be a fundamental pillar of prosperity. While each country's path to prosperity is varied, decades of established theoretical and empirical research on economic growth and wellbeing have identified some common themes.

The 2009 Prosperity Index featured nine sub-indexes, two of which (essentially) measured income and wellbeing dimensions of governance. Due to limitation in data availability, the other seven sub-indexes only measured how each sub-index related to either income or wellbeing.

For the 2010 Index, due to increased data availability, Legatum Institute were able to include additional variables that enabled each sub-index to include both income and wellbeing dimensions. However, with the 2010 Prosperity Index, a comparison of the previous year's Index is included. So that there can be an apples to apples comparison, there is a chart using the 2010 methodology to reproduce rankings for 2009.

About the Legatum Institute

The Prosperity Index is the signature annual report of the Legatum Institute and is central to our ongoing inquiry into the nature of prosperity and pathways of successful countries. The Legatum Institute is a London-based global think tank that promotes political, economic, and individual liberty around the globe, with a special focus on developing and transitioning countries.

The 2010 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, Gallup World Poll Service © and a panel of respected academic advisors in the fields of economics, history, development, sociology, and political science.

Further information about the Legatum Institute and the 2010 Prosperity Index can be found at: www.li.com and www.prosperity.com