

# Big Countries Do Badly In Global Prosperity Index But US Bucks The Trend

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Strong tradition of democratic capitalism enables US and Japan to succeed where others struggle

Legatum Institute's 2010 Prosperity Index, published today, presents a broad view of wealth, happiness and prospects for the future of 110 countries, captured in eight sub-indexes from personal freedom to the economy. Covering over 90% of the world's population, the Prosperity Index stands out in reinforcing the idea that material wealth alone does not make for a happy society. Happy citizens are produced as much by democracy, freedom, social cohesion and entrepreneurial opportunity as they are by a growing economy.

Large countries are defined as those with a population of 150 million or more. The economic growth of the BRICs (Brazil, Russia, India and China) has been a much-reported phenomenon in recent years, but the Legatum Prosperity Index shows that economic growth alone is not enough to ensure overall prosperity. The overall Prosperity Index ranking for these countries places Brazil at 45th, Russia 63rd, India 88th, and China at 58th.

China has recently overtaken Japan as the world's second largest economy, but it still trails behind Japan by 40 places in overall prosperity. China's relatively low scores in Health, Education, Personal Freedom and Safety and Security have offset its rise in the areas of Economy, Entrepreneurship & Opportunity, Governance and Social Capital. Furthermore, the percentage of Chinese people who report that they feel free to determine the course of their lives decreased from 85% in 2008 to 77% in 2009.

India fell by ten places in the rankings, primarily due to a drop in Personal Freedom, with tolerance of Indians towards immigrants falling since the 2008 Mumbai terror attacks.

Brazil and Russia have changed relatively little in their overall Prosperity Index rankings since last year: Brazil held its rank of 45th from the 2009 index, whilst Russia fell one place to 63rd despite particularly poor scores in the Governance and Personal Freedom sub-indexes, ranking 101st and 88th respectively, out of 110 countries. China maintained its position at number 58.

Large countries face difficulties in developing social capital, civil society, health provision and education, often having to balance a commitment to personal freedom with considerations of safety and security. The findings of the Prosperity Index show that getting this balance right is a difficult task, and is often obstructed by unstable or even corrupt governments.

The United States of America is the only large country to rank inside the top ten of the index (repeating its 2009 performance, at 10th). Japan is the next highest at number 18, one spot up from its place in 2009.

Dr. Ashley Lenihan, Senior Fellow at the Legatum Institute said, 'The USA and Japan stand out primarily because each has over a half century of experience with the institutions of democratic capitalism. The rest of the world's large countries are either undemocratic or democracies which face internal problems and are struggling to maintain the rule of law.'

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](http://www.li.com) and [www.prosperity.com](http://www.prosperity.com)