



Venezuela Is Still the Most Miserable Country on the Planet

South American Nation Tops the World Misery Index for Third Year Running

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Venezuelans remained the most miserable people on Earth in 2015, according to the latest World Misery Index, published annually by Johns Hopkins University economist Steve Hanke.+

The Misery Index score is the sum of the unemployment rate, the lending rate, and the inflation rate, minus the annual percent change in real GDP per capita.+

Hanke, a Senior Fellow at the Cato Institute in Washington, DC, who is considered to have been Ronald Reagan’s privatization guru, shared an exclusive preview of the results for 2015 in the Americas with the *PanAm Post*. The main source for the economist’s data is the Economist Intelligence Unit (EIU). The case of Nicaragua is an exception since the unemployment data was taken from the World Bank.+

Hanke's 2015 Misery Index Scores - Americas						
Rank (Worst to Best)	Country	Misery Index 2013	Misery Index 2014	Misery Index 2015	Major Contributing Factor	
1	Venezuela	79.8	95.2	214.9	Inflation	
2	Brazil	36.6	44.0	67.8	Interest Rate	
3	Argentina	45.4	70.0	60.0	Inflation	
4	Jamaica	42.4	37.8	34.4	Interest Rate	
5	Uruguay	27.4	30.4	32.2	Interest Rate	
6	Paraguay	31.4	32.3	32.1	Interest Rate	
7	Dominican Republic	32.4	29.9	31.3	Interest Rate	
8	Colombia	18.7	20.1	25.1	Interest Rate	
9	Peru	23.0	23.2	24.7	Interest Rate	
10	Honduras	29.5	30.7	24.4	Interest Rate	
11	Costa Rica	27.4	28.6	23.1	Interest Rate	
12	Nicaragua	26.0	25.3	22.7	Interest Rate	
13	Bolivia	24.9	22.2	20.2	Interest Rate	
14	Trinidad & Tobago	21.1	23.8	19.4	Interest Rate	
15	Ecuador	11.8	13.8	18.9	Interest Rate	
16	Chile	15.0	18.2	15.0	Unemployment	
17	El Salvador	12.9	12.7	12.5	Unemployment	
18	Panama	14.3	12.2	11.8	Interest Rate	
19	Canada	10.4	10.0	11.5	Unemployment	
20	Mexico	12.9	11.6	9.7	Unemployment	
21	United States	11.4	8.4	8.0	Unemployment	

Source: Economist Intelligence Unit (including estimates), and World Bank. Calculations by Prof. Steve H. Hanke, The Johns Hopkins University.

Brazil and Argentina rank a distant second and third in the World Misery Index. (Steve Hanke)

In this latest edition, Venezuela leads the ranking for the third consecutive year, mainly due to this country's rocketing levels of inflation. In Hanke's view, the solution for Venezuela is to adopt the US dollar.+

"The only sure fire way to permanently fix Venezuela's money mess, which has been going on for many years, is to dollarize," Hanke tells the *PanAm Post*. "The politician or political movement that does this will win the prize and will stand a good chance of remaining in power for many years," he continues.+

Moreover, Brazil has displaced Argentina and now follows Venezuela as the second worst performer in the Americas, increasing 23.8 points since 2014. The main reason for this, according to the index, is the country's interest rates.+

"When interest rates are the major contributing factor to the Misery Index, it implies that the banking system is either not competitive, or there is a great deal of credit risk and uncertainty about inflation — or both," Hanke asserts.+

He further states that Panama, El Salvador, and Ecuador — "the dollarizers," as he calls them — continued to do relatively well this year, although Ecuador is showing signs of economic deterioration.+

"The [Rafael] Correa government has adopted a socialist-interventionist model. This is a formula for failure. If Ecuador was not dollarized, it would be closely following Venezuela towards the bottom of the abyss," he adds.+

As for the 19 other countries on the list, Hanke explains that those who got Misery Index scores over 20 — such as Uruguay, Paraguay, Colombia, Peru, and Honduras — are in need of "serious structural economic reforms," including a major overhaul of its money and banking regime, and "a good dose of free-market reforms."+

"In the world of economic reforms, one has to be big and bold. The best way to proceed is to adopt a foreign currency (i.e. dollarization), or clone a sound foreign currency via a currency board," Hanke says.+

As a conclusion, Hanke points out that Latin America "failed to make hay while the sun was shining."+

"Yes, Latin America failed to reform and modernize during the 'boom' years. Now, the region will pay the price," he says.+

"Indeed, there are many headwinds in the region. Indeed, 2016 could prove to be a very difficult year, and the 2016 Misery Index scores could be worse than this year's. There will be exceptions, of course, like Argentina, where a Marxist-populist government has finally been thrown out after ruining the country," Hanke concludes.

