



## Turkey's populist policies lead to slip down the Misery Index

According to the Washington-based Cato Institute's "Misery Index", a comparative measurement of well-being in 95 countries in the world, Turkey was above only Venezuela, Argentina, Iran and Brazil with its level of misery in 2018.

U.S. economist Art Okun, who also served as chairman of the U.S. Council of Economic Advisers between 1968 and 1969, constructed the first Misery Index in the 1960s in order to provide then U.S. President Lyndon Johnson a snapshot of the economy. The original index was just a simple sum of a nation's annual inflation rate and its unemployment rate.

The index was later modified several times, first by Robert Barro of Harvard University and then by Steve Hanke, a professor of applied economics at Johns Hopkins University and a senior fellow at the Cato Institute.

Today the index scores show the sum of the unemployment, inflation and bank lending rates, minus the percentage change in real GDP per capita of a country. The first three elements, high unemployment, high inflation, and high bank lending rates, make people's lives more miserable, but their effects could be offset by high GDP per capita growth. Of course the real method is a bit more complex, but this explains briefly how the index is constructed.

The 2018 index covers 95 countries and, except for a few exceptions, was calculated by using data retrieved from the Economist Intelligence Unit, which provides forecasting and advisory services through research and analysis.

Before analysing index results, I should note that the fact that Turkey has still been included in such studies is a relief at least for the moment as it indicates that analysts still believe that data provided by Turkish institutions are still reliable.

But in countries where the autonomy of the central banks have been effectively eroded, many see the lending rates as an insufficient variable showing the real economic situation in a country. Hence, given Turkish President Recep Tayyip Erdoğan's unorthodox economic opinions and his objection to central bank independence, we might see Turkey excluded from such analysis in the future. But may be this will make some people happy as the pathetic condition of the Turkish economy will not be fully exposed then.

A higher Misery Index score reflects a higher level of "misery" and in the 2018 index the score of Venezuela, which has held the title of the most miserable country in the world since 2015, is more than 1.7 million. Argentina, who has the second highest rank, has the index score 105.6 and

is followed by Iran with 75.7. In all those three countries, consumer prices are the main factor that contributes to the misery of the people living in them. Brazil is in fourth place with an index score of 53.6.

All those countries are important economies that have a competitive advantage due to their natural resources. The reasons why they have the lowest index scores are not structural problems or lack of human capital, but economic mismanagement.

Turkey follows those four countries with an index score of 53.3. In both Brazil and Turkey, lending rates are the main factor behind economic hardships.

Turkey's ruling Justice and Development Party (AKP) has since 2015 reverted to populist, nationalist policies and the far-right Nationalist Movement Party (MHP) has been a part of the ruling coalition since a coup attempt in 2016. Whenever Turkey is ruled by a nationalist government, its scores in every index that shows either the economic development or the strength of democracy start to fall. For example, Turkey ranked the 22nd most miserable economy in Cato Institute's Index in 2015 with a score of 29.72.

The nationalists in Turkey should understand that patriotism should mean ensuring a wealthier, freer and more secure life for all citizens.