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Misery Index: Ranking The World's Saddest (And Happiest) Countries

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The human condition inhabits a vast continuum between "miserable" and "happy." In the sphere of economics, misery tends to flow from high inflation, steep borrowing costs and unemployment. The most surefire way to mitigate that misery: economic growth. All else equal, happiness tends to blossom when growth is strong, inflation and interest rates low, and jobs plentiful.

Many counties measure and report these economic metrics on a regular basis. Comparing them, nation by nation, can tell us a lot about where in the world people are sad or happy.

Would you consider the United States to be more or less miserable than other countries? To answer this question, I update my annual Misery Index calculations.

The first Misery Index was constructed by economist Art Okun in the 1960s as a way to provide President Lyndon Johnson with an easily digestible snapshot of the economy. That original Misery Index was just a simple sum of a nation's annual inflation rate and its unemployment rate. The Index has been modified several times, first by Robert Barro of Harvard and then by myself.

My modified Misery Index is the sum of the unemployment, inflation, and bank lending rates, minus the percentage change in real GDP per capita. Higher readings on the first three elements are "bad" and make people more miserable. These are offset by a "good" (GDP per capita growth), which his subtracted from the sum of the "bads." A higher Misery Index score reflects higher levels of "misery," and it's a simple enough metric that a busy new president without time for extensive economic briefings can understand at a glance.

In the accompanying gallery you can find Misery Index rankings for the 60 nations that report decent data on a timely basis. For consistency and comparability, all data come from the

Economist Intelligence Unit. We start with the most miserable country and work toward the happiest. Flip it around and you have a Happiness Index.

Venezuela holds the inglorious spot of most miserable country for 2016, as it did in 2015. The failures of President Nicolas Maduro's socialist, corrupt petroleum state have been well documented over the past year, including when Venezuela became the 57th instance of hyperinflation in the world.

Argentina holds down the second most miserable rank, and the reasons aren't too hard to uncover. After the socialist Kirchner years, Argentina is transitioning away from some economy-wracking policies, but many problematic residues can still be found in Argentina's underlying economic framework.

Brazil, at number 3, is a hotbed of corruption and incompetence, as the recent impeachment of Brazilian President Dilma Rousseff indicates.

Nigeria ranked as fourth most miserable in the world in 2016, with a weak currency growing ever weaker. In consequence, inflation has reared its ugly head. I estimate that Nigeria's current annual inflation rate is 65.7 percent, which is a far cry from the official rate of 18.55 provided by the Nigerian central bank.

It's similar in **South Africa**, at number 5, where corruption runs to the very highest office. President Jacob Zuma of South Africa just recently survived impeachment after the Constitutional Court unanimously decided that Zuma failed to uphold the country's constitution.

Egypt, ranked sixth most miserable, is mired in exchange controls, a thriving Egyptian pound black market, and military-socialist rule. However, Egypt is likely suffering even more than this table indicates, as the EIU's inflation estimate for Egypt (17.8 percent) is far off from the Johns Hopkins-Cato Institute Troubled Currencies Project, which I direct, estimate of 150.7 percent.

Next, with a Misery Index score of 36.0, is **Ukraine**, a country still feeling the effects of the highly-publicized civil war that began three years ago. With a civil war and endemic corruption, it should come as a shock to no one that Ukrainians are miserable.

Azerbaijan is plagued by corruption, fraud, and incompetence, and currency devaluations are commonplace – the *manat* has been devalued twice since 2015, losing 57 percent of its value against the dollar. This weakness in the currency markets makes it difficult to do business, and the Azerbaijani economy has faltered as a result.

Turkey faces a despotic leader in Islamist Erdogan, who devotes all of his resources to staying in power rather than governing the state, leading to a strongly depreciating currency and a populous mired in fear. The Turkish lira has lost over 24 percent of its value against the dollar in the last year, and the economy is in the process of spontaneously dollarizing. Not surprisingly, Turkey is a member of the Fragile Five, which also include Brazil, India, Indonesia, and South Africa.

The reasons for **Iran's** rank on this list are almost too obvious and plentiful to enumerate, but it's safe to say that a combination of corruption, incompetence, theocratic-authoritarian rule, and more have led to its state of misery.

On the other end of the table one finds the likes of **Japan,** with the low misery score of 0.4. Japan's relative happiness is not the result of high GDP per capita growth (Japan's figure is only 0.7 percent). Instead, it's Japan's -3.5 percent inflation rate that drives the score down. **China** is the next best, with the second-least miserable score of 4.5, almost entirely due to its high (6.3 percent) GDP per capita growth rate.

Also of note on this list is the **United States**. In President Obama's final year in office, the United States ranked lower than Slovakia, Romania, Hungary, China, and even Vietnam. What a legacy. Lucky for President Trump, America has plenty of room for improvement.

Steve Hanke is a professor of applied economics at The Johns Hopkins University and senior fellow at the Cato Institute. Over four decades Hanke has advised dozens of world leaders from Ronald Reagan to Indonesia's Suharto on currency reforms, infrastructure development, privatization, and how to tame hyperinflation. He also trades currencies and commodities.