The World's Saddest And Happiest Countries - Hanke's Annual Misery Index 2018

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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 is economic growth. All else equal, happiness tends to blossom when growth is strong, inflation and interest rates are low, and jobs are plentiful.

Many countries 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, for instance, Thailand to be more or less miserable than other countries? To answer this question, I update my annual Misery Index measurements.

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 is subtracted from the sum of the "bads." A higher Misery Index score reflects a higher level of "misery," and it's a simple enough metric that a busy president, without time for extensive economic briefings, can understand at a glance.

The accompanying table contains Misery Index rankings for the 95 nations that report relevant data on a timely basis. For consistency and comparability, and with few exceptions, data were retrieved from the Economist Intelligence Unit.

Hanke's Annual Misery Index - 2018

Rank (Worst to Best)	Country	Misery Index	Major Contributing Factor	Rank (Worst to Best)	Country	Misery Index	Major Contributing Factor
1	Venezuela	1746439.1	Consumer Prices	49	Philippines	11.8	Lending Rates
2	Argentina	105.6	Consumer Prices	50	Cyprus	11.7	Unemployment
3	Iran	75.7	Consumer Prices	51	Croatia	10.9	Unemployment
4	Brazil	53.6	Lending Rates	52	Bolivia	10.8	Lending Rates
5	Turkey	53.3	Lending Rates	53	Canada	10.8	Unemployment
6	Nigeria	43.0	Unemployment	54	Panama	10.7	Lending Rates
7	South Africa	42.0	Unemployment	55	France	10.7	Unemployment
8	Bosnia and Herzegovina	38.2	Unemployment	56	Australia	10.6	Unemployment
9	Egypt	36.8	Lending Rates	57	Kuwait	10.5	Lending Rates
10	Ukraine	34.3	Lending Rates	58	Chile	10.3	Unemployment
11	Nicaragua	31.2	Unemployment	59	Estonia	10.3	Unemployment
12	Jordan	30.9	Unemployment	60	Romania	10.3	Lending Rates
13	Uruguay	27.1	Lending Rates	61	Iceland	9.7	Lending Rates
14	Honduras	26.8	Lending Rates	62	United Kingdom	9.6	Lending Rates
15	Macedonia	26.4	Unemployment	63	Belgium	9.3	Unemployment
16	Armenia	25.1	Unemployment	64	Norway	9.3	Unemployment
17	Jamaica	24.9	Lending Rates	65	Sweden	8.8	Unemployment
18	Saudi Arabia	23.5	Unemployment	66	Moldova	8.8	Lending Rates
19	Colombia	23.2	Lending Rates	67	Vietnam	8.7	Lending Rates
20	Paraguay	22.9	Lending Rates	68	United States	8.7	Lending Rates
21	Greece	22.5	Unemployment	69	Bulgaria	8.6	Unemployment
22	Algeria	21.9	Unemployment	70	Finland	8.3	Unemployment
23	Costa Rica	21.7	Lending Rates	71	Hong Kong	8.3	Lending Rates
24	Peru	21.2	Lending Rates	72	Portugal	8.2	Unemployment
25	Azerbaijan	21.0	Lending Rates	73	Lithuania	7.3	Unemployment
26	Dominican Republic	20.3	Lending Rates & Unemployment	74	Slovenia	7.2	Unemployment
27	Kazakhstan	20.1	Lending Rates	75	Latvia	7.0	Unemployment
28	Barbados	19.7	Unemployment	76	Israel	6.8	Unemployment
29	Papua New Guinea	19.2	Lending Rates	77	Denmark	6.8	Unemployment
30	Georgia	18.8	Unemployment	78	South Korea	6.5	Unemployment
31	Mauritius	17.9	Lending Rates	79	Poland	6.5	Unemployment
32	Serbia	17.4	Unemployment	80	Qatar	5.8	Lending Rates
33	Guatemala	17.2	Lending Rates	81	Slovakia	5.7	Unemployment
34	Pakistan	16.7	Lending Rates	82	Germany	5.6	Unemployment
35	Sri Lanka	16.0	Lending Rates	83	Malta	5.3	Unemployment
36	Spain	15.9	Unemployment	84	Singapore	5.2	Lending Rates
37	Russia	15.7	Lending Rates	85	Ireland	5.1	Unemployment
38	Mexico	15.4	Lending Rates	86	Malaysia	5.1	Lending Rates
39	Indonesia	15.2	Lending Rates	87	Czech Republic	5.0	Lending Rates
40	Trinidad and Tobago	14.7	Lending Rates	88	Netherlands	4.7	Unemployment
41	New Zealand	14.4	Lending Rates	89	Taiwan	4.4	Unemployment
42	Italy	13.7	Unemployment	90	Switzerland	4.2	Lending Rates
43	Mali	13.6	Unemployment	91	China	4.2	Lending Rates
44	India	13.2	Lending Rates	92	Austria	3.9	Unemployment
45	Bangladesh	12.6	Lending Rates	93	Japan	3.3	Unemployment
46	Albania	12.2	Lending Rates	94	Hungary	2.6	Unemployment
47	Ecuador	12.2	Lending Rates	95	Thailand	1.7	Lending Rates
48	El Salvador	12.0	Unemployment				

Sources: Economist Intelligence Unit (including estimates), International Monetary Fund World Economic Outlook, and National Bureau of Statistics, Nigeria, Calculations by Professor Steve H. Hanke, The Johns Hopkins University.

Note: The misery index score is the sum of the unemployment rate, the lending rate, and the inflation rate (consumer prices; end-of-period) minus the percent change in real GDP per capita.

Countries where all four data series were available from the Economist Intelligence Unit were included, and IMF WEO data was used to find change in real GDP growth per capita for Bosnia and Herzegovina, Nicaragua, Uruguay, Honduras, Macedonia, Armenia, Jamaica, Paraguay, Barbados, Papua New Guinea, Georgia, Mauritius, Guatemala, Mali, Albania, Bolivia, Panama, Iceland, Moldova, and Malta. IMF WEO data was also used to find inflation (end-period) for Malta, Iceland, Mali, Mauritius, and Bosnia and Herzegovina.

National Bureau of Statistics, Nigeria was used to obtain Nigeria's unemployment rate, which is Nigeria's 2018 Q3 rate.

The median value of the 2018 Misery Index is 12.0.

Let's start with two of the least miserable countries and work down into the pits.

Thailand takes the prize as the least miserable country in the world on the 2018 Misery Index. It's 2018 rank of No. 95 out of 95 countries is a stunner. The military junta delivered happiness, and as a result, the pro-military PPRP was rewarded earlier this week at the polls. Indeed, the PPRP raked in the largest popular vote, even though the vote count is currently embroiled in controversy.

Hungary delivered yet another stunner, making a dramatic improvement from 2017 to 2018. It comes in at No. 94 as the second least miserable country in the world. While the European Union and the international elites have thrown everything they can throw at Prime Minister Viktor Orbán, it's easy to see why he commands a strong following at home. After all, the Magyars were the 2nd happiest in the world in 2018.

Now, let's take a long dive into the bottom of the pits.

Venezuela holds the inglorious title of the most miserable country in the world in 2018, as it did in 2017, 2016, and 2015. The failures of President Nicolás Maduro's socialist, corrupt petroleum state have been well documented over the past year, including by my measurements of Venezuela's hyperinflation. Not only is Venezuela the most miserable country in the world, but its Misery Index score has dramatically increased during the past year, as the economy's collapse has accelerated.

Argentina jumped to the No. 2 spot after yet another peso crisis. Since its founding, Argentina has been burdened with numerous economic crises. Most can be laid at the feet of domestic mismanagement and currency problems (read: currency collapses). To list but a few of these crises: 1876, 1890, 1914, 1930, 1952, 1958, 1967, 1975, 1985, 1989, 2001, and 2018. Until Argentina dumps the beleaguered peso and replaces it with the U.S. dollar, it will be, well, miserable.

Iran, like Argentina, is burdened with the weight of a non-credible central bank and a junk currency. Thanks to the tanking rial, Iran's inflation jumped in 2018, and so did its Misery Index score, moving Iran from the 11th most miserable country in 2017 to the No. 3 spot in 2018.

Brazil slipped from No. 3 to No. 4 in the ranking of the miserable. As my close friend Roberto Campos — the late Brazilian economist, diplomat and politician — once explained to me during a visit to Brasília: The Brazilian Constitution is as thick as the New York City telephone book and is full of little more than rights and entitlements. President Bolsonaro has his work cut out for him. To improve his country's ranking, he will have to deliver on his promise to reform Brazil's bankrupt pension system.

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