

Misery Index - update 2012

1 Macroeconomic objectives (apart from economic growth)

- Price stability ➡ no or modest inflation
- Full employment ➡ no or little unemployment

High inflation and high unemployment are macroeconomic problems.

2 The misery indices

A high misery index indicates macroeconomic problems because either inflation rate or unemployment rate or both rates are high.

21 Misery index I

Misery index I = Inflation rate + unemployment rate

22 Misery index II

Misery index II = Inflation rate + 2*unemployment rate
Unemployment is considered to be worse than inflation.

3 Examples of misery indices

(Nov, Dec 2011/Jan 2012)

Countries	Inflation rate (%) ¹	Unemployment rate (%) ²	Misery index I	Misery index II
US	3.0	8.3	11.3	19.6
Britain	4.2	8.4	12.6	21.0
Euro area	2.7	10.4	13.1	23.5
Japan	-0.2	4.6	4.4	9.0
Mexico	3.8	4.5	8.3	12.8

1 The Economist February 11th, 2012, p. 84

2 The Economist February 11th, 2012, p. 84