

Misery Index

1 Macroeconomic objectives (in addition to '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 the inflation rate or the 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 Jan/Feb 2016

Countries	Inflation rate (%) ¹	Unemployment rate (%) ¹	Misery index I	Misery index II
US	1.4	4.9	6.3	11.2
Britain	0.3	5.1*	5.4	10.5
Euro area	- 0.2	10.3	10.1	20.4
China	1.8	4.1**	5.9	10.0
Mexico	2.6	4.3	6.9	11.2

* November 2015

** Q 4/2015

¹ Source: www.economist.com/indicators (6th March 2016)