

Misery Index - update 2013

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

(Sep, Oct and Nov 2012)

Countries	Inflation rate (%) ¹	Unemployment rate (%) ²	Misery index I	Misery index II
US	1.8	7.7	9.5	17.2
Britain	2.7	7.8	10.5	18.3
Euro area	2.2	11.7	13.9	25.6
Japan	- 0.4	4.2	3.8	8.0
Mexico	4.2	4.8	9.0	13.8

¹ The Economist 22nd December 2012, p. 138

² The Economist 22nd December 2012, p. 138